

# OPS4

## PROGRESS TOWARD IMPACT



### FOURTH OVERALL PERFORMANCE STUDY OF THE GEF

## FULL REPORT



GLOBAL ENVIRONMENT FACILITY  
EVALUATION OFFICE



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**FULL REPORT**

ELECTRONIC VERSION, APRIL 2010



GLOBAL ENVIRONMENT FACILITY  
EVALUATION OFFICE

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# FOREWORD

Every four years, the Global Environment Facility (GEF) is replenished by its donors. Each replenishment process has been informed by independent overall performance studies of the GEF. These studies have developed into authoritative reviews of the state of the art and of available knowledge on the functioning and results of the GEF. Previous reviews were undertaken by teams of independent experts; this Fourth Overall Performance Study (OPS4) was, for the first time in the study series' history, undertaken by a GEF entity itself: the GEF Evaluation Office. This authorship stems from the recognition that the Office — which became independent in 2004 and from that point reported directly to the GEF Council — could provide a perspective independent from that of the Secretariat, the GEF Agencies, GEF donors and recipients, and other GEF partners and stakeholders.

Another first for the study series is that OPS4 tackles the issue of the impact of completed GEF projects. It is clear that the GEF cannot, on its own, bring about solutions to the major global environmental problems of our time. The amount of funding is simply not enough, and these solutions have to be accomplished by the governments and local communities of recipient countries and through actions in the developed world. However, evaluative evidence shows that most of the GEF's finished projects have achieved satisfactory progress toward impact. When the follow-up is in place that ensures the up-scaling of these achievements, longer term effects and impacts can be realized.

Given the comparatively small role that the GEF can play, it has to be catalytic to ensure that any success will be replicated on a scale that will make a difference. Evaluative evidence on this catalytic role shows that the GEF modalities will strongly support up-scaling: first, the enabling environment is created through **foundational** interventions, in which regulatory frameworks, policies, and national priorities are developed; then **demonstration** of new technologies, market changes, or new approaches to interaction with the environment are put in place; and, lastly, **investments** ensure the national implementation or up-scaling of these new approaches. Unfortunately, the same evidence reveals that the GEF did not have sufficient funds to apply all of these modalities in all recipient countries. Least developed countries and small island developing states especially have not progressed far in terms of demonstration and investment.

Two Senior Independent Evaluation Advisors supported OPS4 and the Council by providing external perspectives at key points. Their review of the final report has been included as an appendix to the full OPS4 report and can be found on the CD-ROM and the GEF Evaluation Office Web site ([www.gefeo.org](http://www.gefeo.org)). On one important issue, a difference of opinion between the Office and these advisors emerged. The new methodology of reviewing impact delivered a verdict on the GEF's finished portfolio that the advisors interpreted more negatively than did the Office. The Evaluation Office concluded that any finished project that exhibited a **moderately** satisfactory situation enabling longer term impacts was poised to make "moderate progress toward impact." The advisors felt that only projects that showed **fully** satisfactory situations should be qualified as such. The Office's interpretation has been retained in the final OPS4 report because the recognized international rating of good outcomes of projects starts at "moderately satisfactory" rather than "fully satisfactory"; consequently, it did not seem appropriate to shift the goalposts for impacts to a higher rating level. Nonetheless, this point, along with several others made by the advisors, is of great relevance to the next overall performance study. The Office will ensure that all these ideas are considered in the fifth OPS, just as important issues identified by the High Level Advisory Panel for OPS3 were taken up by the Evaluation Office in the present study.

The Evaluation Office remains solely responsible for the contents of this report.

A handwritten signature in black ink, appearing to read 'Rob D. van den Berg', with a long horizontal line extending to the right.

Rob D. van den Berg  
Director, Evaluation Office

# ABBREVIATIONS

CBD	Convention on Biological Diversity
CEITs	countries with economies in transition
CEO	Chief Executive Officer
CFC	chlorofluorocarbon
CGIAR	Consultative Group for International Agricultural Research
CIF	Climate Investment Funds
CO <sub>2</sub>	carbon dioxide
COP	conference of the parties
DAC	Development Assistance Committee
EBRD	European Bank for Reconstruction and Development
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FSP	full-size project
FY	fiscal year
GDP	gross domestic product
GEF	Global Environment Facility
GHG	greenhouse gas
HCFC	hydrofluorocarbon
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFI	international financial institution
IUCN	International Union for Conservation of Nature
LDC	least developed country
LDCF	Least Developed Countries Fund
MAR	management action record
METT	Management Effectiveness Tracking Tool
MSP	medium-size project
NAPA	national adaptation program of action
NBF	national biosafety framework
NDI	National Dialogue Initiative
NGO	nongovernmental organization
NIP	national implementation plan
ODP	ozone-depleting potential
ODS	ozone-depleting substances
OECD	Organisation for Economic Co-operation and Development
OPS2	Second Overall Performance Study
OPS3	Third Overall Performance Study

OPS4	Fourth Overall Performance Study
PMIS	Project Management Information System
POP	persistent organic pollutant
RAF	Resource Allocation Framework
ROtI	review of outcomes to impact
SAP	strategic action program
SCCF	Special Climate Change Fund
SDR	special drawing rights
SGP	Small Grants Programme
SIDS	small island developing state
STAP	Science and Technology Advisory Panel
TDA	transboundary diagnostic analysis
UN	United Nations
UNCCD	United Nations Convention to Combat Desertification
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
WWF	World Wildlife Fund

All dollar amounts are U.S. dollars.

The GEF replenishment periods are as follows:

- **Pilot phase:** July 1, 1990, to June 30, 1994
- **GEF-1:** July 1, 1994, to June 30, 1998
- **GEF-2:** July 1, 1998, to June 30, 2002
- **GEF-3:** July 1, 2002, to February 6, 2007
- **GEF-4:** February 7, 2007, to June 30, 2010
- **GEF-5:** July 1, 2010, to June 30, 2015





MAIN CONCLUSIONS AND RECOMMENDATIONS

# ADDED VALUE OF THE GEF

# HIGHLIGHTS

- 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.
- Evidence of the GEF's underfunding lies in the growing number of assessments that show that the costs of solving global environmental issues are increasing dramatically. GEF funding, together with realized cofunding, is by far insufficient to breach the gap. This is the first dimension of underfunding of the GEF.
- The GEF is a financial instrument for several multilateral environmental agreements. These agreements have asked the GEF to support recipient countries on issues and at levels the GEF currently is not able to finance. This is the second dimension of underfunding of the GEF.
- The GEF performs its catalytic role in a primary support modality by helping governments address global environmental issues in their countries through enabling and foundational activities that lead to changes in national policies, agendas, and priorities. In a second modality of support, the GEF demonstrates how new policies could lead to improved environmental management and market changes. In a third support modality, successful approaches are scaled up to a national level. In the least developed countries, small island developing states, and fragile states, the GEF has not moved sufficiently into demonstration and scaling up, because the level of resources available to it do not allow this. This is the third dimension of underfunding of the GEF.
- 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-served basis. However, if there was no money available for projects, the proposals had to wait — often, a very long time. Changing to a resource allocation system, which occurred in GEF-4, did not fundamentally address this problem. Rather, it now means that project proposals have to wait until they can even be entered into the pipeline. This is the fourth dimension of underfunding of the GEF.
- As the Fourth Overall Performance Study (OPS4) shows, 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.

- 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 only through their partnership with the GEF that many of the Agencies tackle global environmental problems — the environment is not the core mandate of most of the GEF Agencies. The added value of the partnership therefore lies in bringing proven expertise and capacity to countries to tackle problems through internationally agreed-upon strategies.
- 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, the private sector, and local communities after a project has terminated.
- Before projects can start their promising march toward impact, they need to go through a painful process of identification and approval; it is this preimplementation phase that has given the GEF a reputation of being unable to deliver. A reform process was set in motion in 2006; this needs to be completed. Ongoing tensions in the GEF partnership among the Secretariat, the Agencies, and countries are mostly focused on preimplementation phase issues. These problems can and must be solved.
- 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 for improving aid effectiveness and country ownership. However, the modus operandi of the GEF through project support is not similarly in sync; the GEF needs to move toward a programmatic mode of operation. Programming in the GEF has historically been at the focal area level. The introduction of the Resource Allocation Framework (RAF) has occasioned a shift toward national programming. This shift should be completed.
- Unique among international institutions, the GEF has independently verified evaluative evidence on the progress toward impact of its full portfolio. From this, lessons and indicators should be derived for a results-based management framework, including with regard to monitoring, evaluation, scientific advice, and learning. Thus fortified, a results-based management framework will enable the GEF to report on performance, outcomes, progress toward impact, and global environmental benefits achieved.
- If the move is made toward national programming of support, the GEF would be capable of channeling substantial amounts toward agreed-upon global environmental benefits through the GEF Agencies, most of which have a solid track record of delivering 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; by so doing, however, the focus on global environmental benefits could be reduced or even lost, because this focus is not most Agencies' primary concern.
- OPS4 supports the highest level of replenishment for the GEF, provided that the GEF-5 replenishment recommendations include strong proposals concerning programming, efficiency, and partnership.

The Global Environment Facility is replenished by donors every four years. These replenishments are informed by GEF achievements to that point. Overall performance studies have been undertaken since the GEF's pilot phase to provide such information; the fifth replenishment of the GEF will thus be informed by this Fourth Overall Performance Study. The study's aim 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 reviews of the functioning of the GEF Council and the GEF Monitoring and Evaluation Policy (GEF EO 2006b), which it authored. The Office is independent from GEF management and reports directly to the GEF Council.

OPS4 began in early 2008 with gradual development of and consultations on key questions and an approach paper. The terms of reference were approved by the GEF Council in September 2008;<sup>1</sup> the actual effort, as approved in the Evaluation Office work program, began in July 2008. With some exceptions, data gathering and analysis ended on June 30, 2009, after which drafting of the final report was undertaken.

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 guidance from the environmental conventions, and describe the GEF's catalytic role. The section ends with a discussion of

programming issues in the GEF, placed in 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 in the GEF focal areas of climate change, biodiversity, international waters, ozone layer depletion, persistent organic pollutants (POPs), and land degradation, as well as multifocal area activities. **Section 4**, "Issues Affecting Results," deals with performance, learning, and resource management. **Section 5**, "Governance and Partnership," addresses governance and partnership concerns in the GEF.

## METHODOLOGICAL APPROACH AND SCOPE

The OPS4 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 from country portfolio evaluations and case studies 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 an assessment 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 GEF results were assessed in the **fourth cluster** on the basis of existing evaluation reports, extensive interviews with stakeholders, and some additional case studies. Resource mobilization and financial

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1 See appendix B.

management at the GEF level were the focus of the **fifth cluster**, which was based on data and portfolio analysis, desk reviews, and expert involvement in analysis and reporting.

The methodological approach and scope differed by cluster and often by question within clusters. The OPS4 Web pages (accessed through [www.gefeo.org](http://www.gefeo.org)) and CD-ROM provide approach papers, protocols, methodological handbooks, sub-study technical papers, and guidelines on all major areas of OPS4, as well as on most of its case studies.

OPS4 builds on OPS3 and the 24 evaluations 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 GEF Small Grants Programme (SGP).

Consultations were held with representatives of all GEF stakeholders to ensure that their perspectives could be taken into account. Meetings with GEF focal points and representatives of civil society organizations took place in all regions in which the GEF operates. Furthermore, four GEF interagency meetings were held to discuss progress at key OPS4 milestones (implementation start, finalization of methodological approaches, delivery of the interim report, and presentation of preliminary findings). The primary GEF partners — the GEF Secretariat, the GEF Agencies, the GEF Trustee, and the Scientific and Technical Advisory Panel (STAP) — were consulted to determine and resolve any

remaining factual errors and errors of analysis in the draft OPS4 report. A Quality Assurance Peer Group reviewed interim OPS4 products. Two Senior Independent Evaluation Advisors provided advice on both the interim report and the final OPS4 report.

## LIMITATIONS

The terms of reference for OPS4 were highly ambitious. At several junctures, OPS4 encountered the limits of what it could do with existing data and evaluative evidence within the time available and the budgets for the substudies. These limitations meant that, on some important points, this report is not able to answer all key questions fully. Many of these issues will be taken up by the Evaluation Office — or in some cases perhaps by the Secretariat, the STAP, or the Trustee — in the coming years in the evaluation programming for the fifth GEF replenishment (GEF-5, 2010–15). 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 the Fifth Overall Performance Study.

An important limitation lies in the use of the GEF Project Management Information System (PMIS) for data on the full GEF portfolio. While the current database is an improvement over the previous system for basic data, much of the detailed information is still not fully reliable, as was discovered in the last phase of OPS4. The Secretariat made a valiant effort to update the database in late June and early July 2009, but further improvements are needed.

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 from fiscal year (FY) 2004.<sup>2</sup> Certain limitations

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2 The GEF fiscal year begins July 1 and ends June 30.

hamper the terminal evaluations, as discussed in the annual performance reports of the Evaluation Office. Through additional work (field verifications, case studies, and further documentation), these evaluations have been the basis of much of the results-oriented work of OPS4. This thrust has meant that the newer focal areas of POPs and land degradation are underrepresented in OPS4. 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.

OPS4 was not able to gather sufficient evidence on the **involvement of civil society organizations and the private sector** in GEF operations. The Evaluation Office's Midterm Review of the Resource Allocation Framework (GEF EO 2008) concluded that, in biodiversity and climate change, the involvement of both civil society organizations and the private sector has declined. There is no evidence reviewed during OPS4 that challenges this conclusion. However, the Office's impact evaluation on ozone-depleting substances (ODS) shows a strong involvement of the private sector in that focal area, and the SGP remains dedicated to the involvement of local communities and organizations. More should be said on the matter, but this will have to be explored in future evaluations.

The issue of **cost-effectiveness** continues to be problematic, as it is in almost all international organizations. To establish cost-effectiveness, comparable measurements must be applicable for comparable activities and products or outcomes. Benchmarking can only be carried out credibly 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 (GHG) reductions in the energy efficiency and renewable energy portfolios of the climate change focal area.

OPS4 had no time and budget available to begin a comparison with other organizations or other modes of GHG reduction, and no simple comparisons were available.

On **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, foundational activities were not reviewed; in others, they were. The time needed to correct this was not available. Care was taken to ensure that this disparity was reflected in the qualitative assessment of the results. The results are not always presented in the most user-friendly manner; this also must be developed further. The Evaluation Office will continue to address this issue in consultation with the GEF partners.

The focus on progress toward impact in OPS4 necessitated limitation of the study to the three main Implementing Agencies of the GEF: the World Bank, the United Nations Development Programme, and the United Nations Environment Programme. The seven new Agencies that are now substantially increasing their share in the GEF do not have a sufficient number of finished projects to allow for any conclusions yet.

On **human, financial, and administrative resource 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 that should be explored in the future.

In the years since OPS3, the GEF Evaluation Office has presented two evaluations to the Council that highlighted major issues for reform in the GEF. The

first was the 2006 Joint Evaluation of the GEF Activity Cycle and Modalities (GEF EO 2007c), which concluded that GEF identification and approval of projects was inefficient and ineffective, and that these processes were broken beyond repair. This conclusion 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 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.

The second evaluation was the Midterm Review of the RAF (GEF EO 2008), presented to the GEF Council in November 2008. This evaluation concluded that the RAF system was too complex, not sufficiently transparent, and too costly, leading to a low level of utilization in many countries; further, it features rigid and skewed implementation rules, resulting in complaints and tensions. Consequently, a new system is in preparation for GEF-5, which is currently under discussion.

Because efforts to improve the key GEF decision points in the project cycle and the discussion on a new allocation system are ongoing, OPS4 has not devoted many pages to repeating the findings of these two earlier evaluations, but here reiterates that improvements are essential to achieve a better functioning GEF in the programming and preapproval phases of key decisions on GEF funding.

## THE GEF PORTFOLIO

The GEF Trust Fund has been the primary source of funds for grants made by the GEF. The GEF also manages 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 LDCF and the SCCF (table 1.1).<sup>3</sup>

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, these two focal areas account for about a third of GEF funding committed to date (table 1.3). During GEF-3 and GEF-4, the share of funding allocated to these areas declined as that for multifocal projects increased; however, many of these multifocal projects, particularly those conducted through the SGP modality, addressed climate change and biodiversity considerations. Resource utilization in climate change and biodiversity has slowed slightly following the establishment of the RAF.

<sup>3</sup> Table 1.1 includes data on all of these funds; the other tables and figures in this report include data for the GEF Trust Fund only. Throughout, data may not sum to totals because of rounding.

**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
<b>Total</b>	<b>726</b>	<b>1,228</b>	<b>1,857</b>	<b>2,804</b>	<b>2,156</b>	<b>8,772</b>

Source: GEF PMIS, through June 30, 2009.

**TABLE 1.2 NUMBER OF PROJECTS BY FOCAL AREA**

FOCAL AREA	PILOT PHASE	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 layer depletion	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 PMIS, through June 30, 2009.

**TABLE 1.3 GEF FUNDING BY FOCAL AREA**

FOCAL AREA	FUNDING (MILLION \$)	%
Climate change	2,743	31.9
Biodiversity	2,792	32.5
International waters	1,065	12.4
Ozone layer depletion	180	2.1
Persistent organic pollutants	358	4.2
Land degradation	339	3.9
Multifocal	1,114	13.0
All focal areas	8,591	100.0

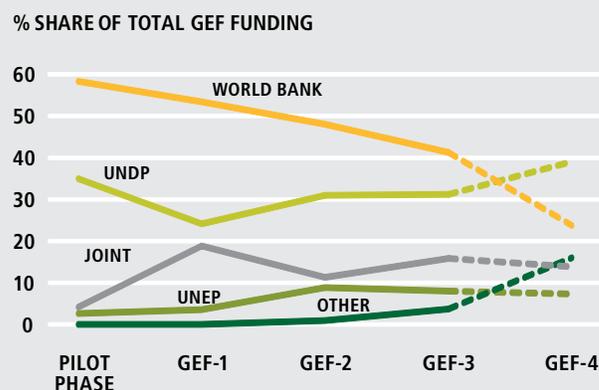
Source: GEF PMIS, through June 30, 2009.

A remarkable trend in terms of GEF **funding by Agency** has been the decline in share for 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 diminution in the World Bank share is spread across all GEF focal areas.

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 is because SGP funding is front loaded — that is, funds are made available to the SGP for further distribution through grants, whereas project concepts funded through other modalities need to be fully developed before funding can be approved. When the GEF-4 replenishment period ends, the SGP

**FIGURE 1.1 GEF FUNDING SHARE BY AGENCY**



Source: GEF PMIS, through June 30, 2009.

Note: Dotted lines indicate the trend for GEF-4. UNDP = United Nations Development Programme; UNEP = United Nations Environment Programme.

relative share will revert back to its GEF-3 level. The share of enabling activities has dropped substantially in GEF-4 from previous periods (table 1.4); this is because of changes in convention requirements.

Figure 1.2 shows changes in GEF **funding share by regions** across the GEF phases. From GEF-3 to GEF-4, there was a substantial increase in the share of funding for Asia, while funding to Europe and Central Asia dropped significantly; this is explained by a phasing out of support for ozone layer depletion projects and the accession of several countries to the European Union, as a result of which their need for support was reduced. The shares for

Africa and for Latin America and the Caribbean have remained stable over time. There has been some decline in the share of interregional projects funded.

## MAIN CONCLUSIONS AND RECOMMENDATIONS

### THE GEF IN A CHANGING WORLD

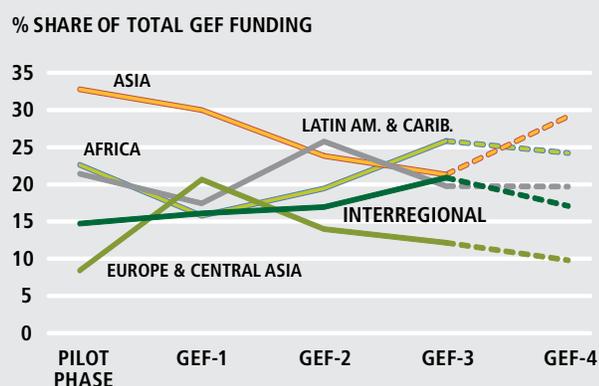
OPS4 places the GEF in the context of international environmental trends. New scientific information shows that many environmental problems are increasing rather than decreasing, which leads to the first conclusion of OPS4.

#### CONCLUSION 1

Global environmental trends continue to spiral downward.

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. Continuation of 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 functions such as soil formation and nutrient cycling — is no longer ensured. The demands of our ever-growing human population for food, water, and energy and the inevitable escalating pressures brought to bear

**FIGURE 1.2 GEF FUNDING SHARE BY REGION**



Source: GEF PMIS, through June 30, 2009.

Note: 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
<b>Total</b>	<b>726</b>	<b>1,228</b>	<b>1,857</b>	<b>2,784</b>	<b>1,996</b>	<b>8,590</b>

Source: GEF PMIS, through June 30, 2009.

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.

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 partners, focal areas, strategic priorities, and guidance from the conventions. Given recent 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. Public funding is vital, because these problems can only be solved through partnerships with governments, civil society, 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.**

The world community may decide on ways other 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 technical knowledge. The issue may be that the solutions are expensive and go against ingrained economic interests. On the other hand, not solving the problems will be more expensive in the long run and endangers mankind’s future livelihood on the planet, posing particular dangers to the poor and to developing countries.

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 growing 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.**

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 in particular. The multilateral environmental agreements the GEF serves, which were agreed to by these same donors, have continued to ask more of the GEF; consequently, the GEF is now only minimally active in many areas. For example,

the strategy for the international waters focal area requires up-scaling from foundation to demonstration to catalyzing investment, but its allocation in GEF-4 went down. Least developed countries, small island developing states, and fragile states are receiving insufficient support on demonstration and investment activities, due to the low levels of allocations for these countries. Lastly, past project cycle inefficiencies were often caused by a lack of money to fund projects that were ready for approval: when approvals took place on a first-come first-served 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 reduce support dramatically to focal areas, groups of countries, or modalities.**

The GEF model of foundational support, demonstration, and investment incorporates an organic growth in funding to countries until a concern for global environmental issues has been fully incorporated and mainstreamed in the national sustainable development agenda. Although some of the larger recipients of GEF funding are clearly moving in this direction, it is also obvious that many countries are still a long way from graduating from the GEF. Also, many countries in the GEF system are still awaiting further support on demonstration of approaches, market barrier removal, and introduction of new technologies and are not yet ready to scale up GEF initiatives to the national level. Maintenance of the same level of funding in GEF-5 would pose challenges. The review of progress toward impact shows that the scale of interventions matters and that several GEF support efforts may have failed because of lower funding amounts or reduced geographic scope.

If funding levels remain the same, the GEF would need to prioritize its support so as to continue to achieve impact. This prioritization could potentially involve reducing the number of focal areas, restricting modalities to certain groups of countries, or reducing support to a limited group of countries.

#### CONCLUSION 3

**The GEF's link to international environmental agreements as a financial mechanism is an added value in tackling global environmental problems.**

The GEF has a relatively unique position among international funding agencies in that 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 conventions 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.

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

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 toward clustering guidance into strategies. The RAF has hindered many countries' access to the GEF, particularly in the climate change focal area.

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.**

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 national communications to the conventions, since these are mandatory and 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.

National governments should take the lead in prioritizing implementation of guidance from the conventions. Issues eligible for GEF support can be identified through this process. Convention focal points need further involvement in the GEF at the national level (that is, 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.**

The GEF's catalytic role — one of its defining principles as codified in the GEF Instrument (GEF 2008b) — is embodied in its three-pronged approach of **foundational** activities, focusing on creating an enabling environment; **demonstration** activities, which are innovative and show how new approaches and market changes can work; through to **investment** activities that scale these up to a national level to achieve sustainable global environmental benefits.

OPS4 has categorized all GEF activities from the pilot phase to June 30, 2009, and concludes that this foundation-demonstration-investment approach has worked well in middle-income countries. In small island developing states, least developed countries, and fragile states, however, 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 current funding level, this practice will also continue. Because most global benefits can be gained in middle-income countries, OPS4 does not advocate ceasing to work in those countries. But current funding does not allow for support to grow to levels that would implement good policies, promise new approaches, and ensure market transformation in many countries.

Proposals to focus more exclusively on demonstration to the detriment of foundational and investment activities will reduce the GEF's catalytic effect and the sustainability of global environmental benefits achieved. Calculations made in the Evaluation Office's ODS impact evaluation show that, without the catalytic role of investments, 40 percent less reduction in ODS would potentially have been achieved.

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.**

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, and thereby ensure that global environmental benefits are achieved.

The GEF's catalytic role is most evident in the strategy pursued in the international waters focal area; 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.

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.**

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.

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

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.**

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 energy, 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 POPs. In almost all cases, the GEF sets in motion and starts up activities that need to be incorporated into policies, strategies, practices, and livelihoods — activities that rely on input and decision making from stakeholders in government, civil society, the private sector, and local communities.

The partnership between the GEF and local actors could be enhanced to strengthen progress toward impact. The reviews of outcome toward impact (presented in section 3) show that actions taken after the conclusion of GEF support 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 following suggestions from terminal evaluations. More can be done, however, and the GEF and the country should focus on this.

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, GEF grants are kept more or less separate and out of the mainstream of the discussion of the country by 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 and in involving ministries beyond that for the environment along with other stakeholders, this is not yet standard practice. A national mechanism for interacting with

GEF Agencies and other relevant donors is vital to ensure that GEF and other environmental support is fully in line with and incorporated into national priorities and strategies.

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 problems could be used to ensure a higher level of relevance and country ownership of global and regional projects and programmatic approaches. The strategic framework of the international waters focal area could be helpful in this regard. This approach also includes 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.**

OPS4 has reviewed all finished projects whose terminal evaluations were presented to the Evaluation Office since FY 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 projects' outcomes show definite progress toward impact. This finding cannot be compared to an international benchmark, because the GEF is the first international organization to independently report on progress toward impact at the portfolio level.

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 this progress continues

to be supported. 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 POPs. 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 GEF-supported interventions work and will continue to produce benefits if supported.

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 GHG emissions cannot be influenced directly by GEF support — however successful — given the relatively low level of funding received compared to that needed. In other focal areas, GEF efforts are successful but insufficient to affect global trends. ODS 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 tackling threats to the ozone layer as identified in the protocol, climate change and new threats have been added to the agenda as they have emerged, and the battle is far from resolved.

Thirty percent of GEF projects show no progress from outcomes to impact. Yet even here, there is evidence that impact could 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.**

To reach their 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. No one project can guarantee the support of these actors; there is thus much value in a portfolio approach at the national level. Currently, such an approach is 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

##### Climate Change

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 GHG emissions and of sustainable market changes. Despite the overall achievements of its portfolio, the GEF contribution to reduction in GHG emissions is quite small compared to that needed at the global level to ensure an impact on future climate change and a more sustainable development path.

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.

### **Biodiversity**

The GEF has been responsive to guidance of the biodiversity convention, particularly on issues related to conservation and sustainable use (protected areas and mainstreaming biodiversity in production sectors). Access to biosafety funding has not kept up with potential demand.

About 70 percent of the completed projects reviewed in this focal area have made some progress toward global environmental benefits, with 40 percent making strong progress. The remaining 30 percent of projects have made no progress yet. Projects with greater progress toward global environmental benefits paid more specific attention in their design and/or implementation to ensure effective, fully operational local ownership before project completion. Progress toward global environmental benefits crucially depends on ongoing and long-term support from governments, the private sector, and local communities after project termination.

### **International Waters**

The conditions in the early 1990s that gave rise to the GEF and the creation of its international waters focal area have not abated, and there are new challenges that make the GEF's work in this area 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 set the stage for national policy changes

that can lead to reduced ecological stress. Independently verified evidence exists that GEF projects are contributing to the reduction of pollution stresses in many international water bodies.

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 a given 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.

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 relevant convention guidance.

### **Ozone Layer Depletion**

GEF support for the phaseout of consumption and production of **ODS** in CEITs has made a contribution to global environmental benefits. Legislative and policy changes supporting phaseout provided a foundation for success and ensured sustainability. Private sector commitment was a critical driver in the success of GEF investments in this focal area in CEITs.

Illegal trade threatens to undermine gains made in ODS reduction in non-European Union CEITs. Halon recovery and stockpiling have been neglected in these countries as well; this should be rectified. In some countries, the national ozone units 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 ODS.

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

Non-European Union countries whose economies are 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.

### **POPs**

The GEF has been responsive to the guidance of the convention on POPs and is now moving into the next phase of support by providing funding toward the implementation of national plans.

### **Land Degradation**

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

### **Multifocal Area**

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 do score well and combine focal area problems in a practical way.

## **ISSUES AFFECTING RESULTS**

### **CONCLUSION 7**

**GEF projects achieve 80 percent moderately satisfactory and higher outcomes as compared to the benchmark norm of 75 percent, yet inefficiencies continue in the preapproval phase.**

Performance of GEF projects has exceeded the GEF target of 75 percent satisfactory outcomes; the average score since FY 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 a project's lifetime.

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. On the other hand, social and gender issues in GEF strategies and projects are not addressed systematically, and the GEF cannot rely completely on the social and gender policies of its Agencies.

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.

Delays were noted in the period before 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 has been met for 56 percent of the PIFs received. The Agencies and project proponents have no comparable standard.

In January 2009, a new and improved GEF PMIS 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.**

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

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

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

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.

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.

Comprehensive, expedited resolution of the remaining weaknesses in the GEF PMIS should be devised.

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 such as 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.**

The SGP contributes to numerous institutional and policy changes at the local, provincial, and national levels, and to building capacities within 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 in becoming involved during GEF-5.

#### RECOMMENDATION 8

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

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.
- Establish and publish a grievance procedure by 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.**

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. The result is lost opportunities for learning on the part of the GEF partners and countries.

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

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.**

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 should be consolidated in a corporate strategy.

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 establishing portfolio monitoring.

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.**

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 have been held at various points 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 a results-based framework for GEF-5.**

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.**

In general, the GEF Trustee manages the GEF Trust Fund well. On certain aspects, such as exchange risk management, 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.

Given the uncertainty of the current global financial situation, 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 no uniform practice throughout the GEF at this time.

On the other hand, 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, and some will not lead to a fundable proposal.

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).

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.

The GEF does not appear to be more costly as compared to other facilities and funds. Some organizations 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.**

Approved PIFs should not be reserved only against available funds in the GEF Trust Fund but rather 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.

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

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.

The GEF fee system should be converted into a rules-based system grounded on the principle of fees for services, including nonproject 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.

The GEF should begin to design a cost-efficiency system to follow over time and encourage development of an international minimum standard. It could built on the examples of other agencies, such as the International Fund for Agricultural Development, which has adopted a relative costs metric: the efficiency ratio of its operations. The International Fund for Agricultural Development Council sets efficiency ratio targets annually.

## GOVERNANCE AND PARTNERSHIP ISSUES

### CONCLUSION 12

**The governance model of the GEF compares well to that of other international organizations.**

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

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.

The GEF Council's constituency system creates problems for developing countries because of 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.

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.

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.**

The GEF Assembly should meet every two years to better 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.

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

During GEF-5, the GEF Council should lead a discussion on how better to 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 in turn mostly stem from a lack of communication but are also due in part to fundamental questions on the appropriate roles of the GEF partners.**

There are considerable strengths in the GEF partnership model, but the fast pace of change within the GEF in recent years has caused tensions between the GEF Agencies and the GEF Secretariat, and between the 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.

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 (GEF EO 2007c) concluded that the lag time for proposals awaiting approval had become unacceptably long. The resulting decisions to cut these waiting times dramatically show promise but are not yet visible on the ground, which means that complaints continue to be voiced. Moreover, the real cause of the long delays was lack of money, not lack of willingness to make decisions.

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 RAF, 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 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 have varied enormously throughout the GEF.

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.

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 dissent can be attributed to competition for scarce resources — a scramble that becomes more intense when the resources become still scarcer.

Complaints in any project cycle are natural and indeed part of the process; similarly, tension is usually unavoidable and can be viewed 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 Council should address tensions within the GEF partnership and provide guidance on roles and responsibilities.**

The GEF Council has a special responsibility in improving the efficiency of the GEF by reducing

tension and promoting partnership, in that 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.

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.

One factor behind Council reluctance to delegate more responsibility to the GEF Secretariat, Agencies, and 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 Council; this policy will be updated in consultation with all stakeholders for GEF-5.
- The GEF PMIS has been improved and, for the first time ever, correctly reflects the actual GEF portfolio on essential issues.

## CONCLUDING REMARKS

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

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

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 these benefits.

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.



# 2



## THE GEF IN A **CHANGING WORLD**

- 2.1 The International Context
- 2.2 Resource Mobilization
- 2.3 Convention Guidance
- 2.4 The Catalytic Role of the GEF
- 2.5 Programming Resources

## 2.1 THE INTERNATIONAL CONTEXT

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

### Conclusions

- 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.
- 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.
- 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

- Funding levels on global environmental issues within the GEF mandate need to increase substantially in order to tackle the increasingly urgent problems.
- 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, nongovernmental organizations (NGOs), and local communities.

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.<sup>1</sup> This mission has

remained in place over the years with the addition of new focal areas, strategic priorities, and partners. 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

<sup>1</sup> 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.

the financial resources the international community is making available to tackle environmental and development problems.

## ENVIRONMENTAL TRENDS

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.

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 (OECD 2008).

In its Fourth Assessment, the Intergovernmental Panel on Climate Change 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 (IPCC 2007). 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.<sup>2</sup>

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 broad 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 to 20 percent of global gross domestic product (GDP) (Stern

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2 See the conclusions of the Scientific Congress on Climate Change (<http://climatecongress.ku.dk>), the new projections of the Massachusetts Institute of Technology's (MIT's) Integrated Global Systems Model (Sokolov et al. 2009), and the Economics of Ecosystems and Biodiversity (2009) press release on the coral reef emergency.

2007). 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 (Jowitz and Wintour 2008).

Currently, 60 percent of ecosystem services evaluated by the Millennium Ecosystem Assessment (2005) are degraded or are being used unsustainably, 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 (Baillie, Hilton-Taylor, and Stuart 2004; Adams and Jeanrenaud 2008). 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 (Foden et al. 2008). The accelerated changes in the Earth's climate will compound these and related global environmental problems.

Energy use is projected to increase by 54 percent between 2005 and 2030 (OECD 2008). 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.

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 (Cushion, Dieterle, and Whiteman 2009). 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.

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 — failure to do so will exacerbate environmental impacts (IUCN 2009b). 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 (Mitropoulos 2009). 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.

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 (UNEP 2007) 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 (OECD 2008).

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 an 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,” the area is blanketed with floating plastic waste—cups, bottle caps, and packaging—brought together by the prevailing ocean currents (Dameron et al. 2007). 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.

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 as well. 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 emissions reduction of the Kyoto reduction target.<sup>3</sup> In the last decade, scientists have identified several

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3 See “Future Needs in Ozone Layer Protection” (Technical Document #2), available on the GEF Evaluation Office Web site ([www.gefeo.org](http://www.gefeo.org)) and the OPS4 CD-ROM.

additional chemicals that are known or suspected to be ozone depleting, which was confirmed in a recent scientific report for the Montreal Protocol (WMO 2007), giving rise to new concerns because production and consumption of new ODS are not monitored or limited.

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 (OECD 2008). 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 (Wahlstrom 2009) — along with concerns about endocrine-disrupting substances likely to have developmental and reproductive effects (OECD 2008).

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 must 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

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 (JIU 2008). Proposals for greater collaboration and coordinated action, though welcome, have so far not yielded tangible results.

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.

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 its

wide-ranging impacts, the focus of international efforts at present is on stabilizing the international financial architecture and 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.

The Rio Conference of 1992 was followed by an impressive series of international environmental agreements, which together form an international framework for sustainable development.<sup>4</sup> 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 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.<sup>5</sup> This perspective also links poverty and development issues to environmental issues more generally.

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4 See Schrijver (2008).

5 See ICHRP (2008), pp. 59–64.

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

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 (UN 1992).

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.

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 (IDA) included nine borrower country members.

The GEF is also moving on these issues, and in June 2009 the second meeting for the fifth

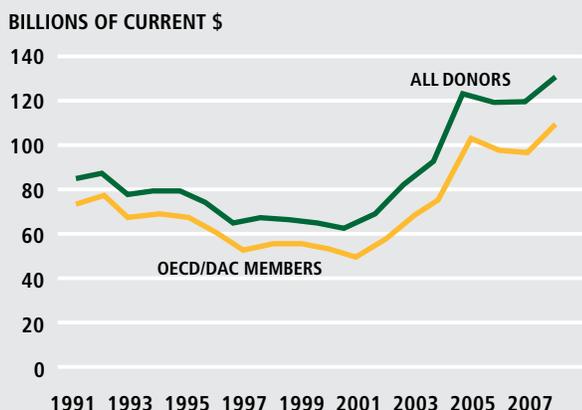
replenishment of the GEF Trust Fund decided to invite representatives of nondonor recipient countries of the GEF to the third replenishment meeting later in 2009. This decision was taken on the recommendation of the interim report of the Fourth Overall Performance Study (OPS4), which was presented to 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

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 (2005) and the Accra Agenda for Action (2008).

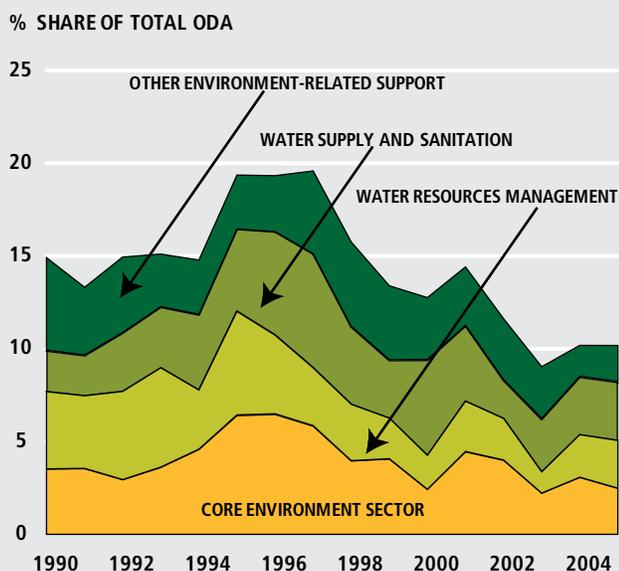
The most up-to-date information from the Organisation for Economic Co-operation and Development (OECD) for all donors and for OECD/Development Assistance Committee (DAC) members shows the availability of overall international funding for ODA experienced a surge in the years 2002 to 2005 (figure 2.1.1), 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 2.1.1 OVERALL ODA DISBURSEMENTS, 1991–2008**



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

**FIGURE 2.1.2 AID FOR THE ENVIRONMENT AS A SHARE OF TOTAL ODA, 1990–2005**



Source: OECD 2008.

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/DAC 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.

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 to \$400 billion per year from developing countries for meeting adaptation costs is a clear indication that these will add significantly to the overall costs (Pendleton and Rettelack 2009). As a contribution to moving the climate change negotiations forward, a recent report from the UN Foundation and Club of Madrid suggests that, in the short term, \$1 to \$2 billion of additional ODA provided to small island developing states (SIDS) and other LDCs already experiencing the impacts of climate change should continue through the existing special window in the fifth replenishment of the GEF (Global Leadership for Climate Change Action 2009).

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.

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, NGOs, 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.

## 2.2 RESOURCE MOBILIZATION

The GEF cannot perform miracles — it has to work within the limits of the funding that it receives from its donors. This chapter discusses the GEF replenishment process and 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

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

### Recommendations

- **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.**
- **More middle-income countries should be persuaded to support the GEF.**

### REPLENISHMENTS AND DONOR PERFORMANCE

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 conventions. 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.

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 ODA. Funding to the GEF has been partially additional to total donor aid, for the purposes of reporting to the OECD/DAC, 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 (UNDP, UNEP, World Bank 1994).

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 GEF-2 through GEF-4 compared with GEF-1.

Chapter 2.1 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 GEF-1 and GEF-2 to an estimated 0.38 percent of ODA in GEF-4 (table 2.2.1). 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.

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.

**TABLE 2.2.1 GEF REPLENISHMENTS AND TRENDS IN ODA (MILLION \$)**

FUNDING	PILOT PHASE	GEF-1	GEF-2	GEF-3	GEF-4 <sup>a</sup>
Total ODA	304,725	302,595	280,529	416,132	283,278
GEF funding pledged by donors	843	2,015	1,983	2,211	2,289
GEF funding received from donors	843	2,012	1,687	2,095	2,169
Purchasing power (%)		100	78	90	83
GEF replenishments as % of ODA	0.28	0.67	0.60	0.50	0.38

Sources: ODA data and dollar deflator from OECD; GEF replenishment data from the GEF Trustee; GEF Project Management Information System, through June 30, 2009.

a. Based on a moving average; pledge 2006 instruments for one-quarter of GEF-4 deposited by fiscal year 2007, some in 2006 prior to end of fiscal year in certain countries. As ODA commitments and not disbursements have been used, data are regarded as compatible.

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.<sup>1</sup> 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.

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 (Rio Summit) in June 1992, during GEF-1. 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 those presented in the *OECD Environmental Outlook to 2030* (OECD 2008), 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.

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.

To date, evidence from the country portfolio evaluations, OPS4 stakeholder consultations and country case studies, and portfolio analysis for the current 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 LDCs and SIDS, 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.

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 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.

Bilateral commitments from OECD donors for ODA addressing **mitigation of climate change**

<sup>1</sup> These data are primarily extracted from World Bank (2008a).

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.

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.

There has been a trend by donors to use an increasing range of development partners beyond the specialized agencies of the United Nations and 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.

The trend outside the bilateral donors is illustrated by the International Union for Conservation of Nature (IUCN), which has a total income of about \$400 million expected for the GEF-4 replenishment period. It saw an increase of direct government donor funding of some 30 percent between GEF-2 and GEF-4, and its income from donors is continuing to rise. Most of the big environmental NGOs, such as the World Wildlife Fund (WWF) and Greenpeace, are networks of national or even subnational organizations, and the totality of their funding is not easy to calculate. The U.S. WWF has seen an increase in overall funding of some 100 percent in the GEF-4 period, but government grants and contracts amount to about 13 percent of its total 2008 revenues of \$196.5 million, reflecting the upsurge in private donations, especially in the United States.<sup>2</sup> 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

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 Investment Funds received pledges of \$6.141 billion (equivalent) in September 2008 for projects to be implemented through the

2 These data are taken from IUCN and WWF annual reports, available from their Web sites.

World Bank and the regional development banks,<sup>3</sup> whereas the GEF received \$2.289 billion for GEF-4.

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 (Castro and Hammond 2009). IDA recorded a fall in core environment aid from \$1.1 billion in 1995–97 to \$0.7 billion in 2005–07, due to the IDA replenishment cycle. IBRD commitments of nonconcessional 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 year (FY) 2004–08, averaging \$1.97 billion with 75 projects approved annually. The bulk of IBRD environment lending was directed to water resource management and pollution management and environmental health. Water resource management plays an even larger role in lending to IDA countries, averaging 30 percent during FY 2004–08, growing to a share of 45 percent in FY 2008. A 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 resource 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 (World Bank 2008d). The big change in recent funding is the much greater emphasis on climate change. In addition to the Climate Investment Funds referred to above, the share of climate change lending surged to 40 percent (\$700 million) of environment

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3 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 billion), and United States (\$2 billion) See World Bank (2008b).

lending in FY 2008, up from an average of 8 percent in the preceding four fiscal years.

In the case of the **United Nations Development Programme (UNDP)**, the GEF accounted for 4 percent of UNDP's total income for 2007–08.<sup>4</sup> Environment is a priority area; in a recent report, the UNDP Evaluation Office (2008) noted 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 to 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.

Support to **United Nations Environment Programme (UNEP)** core financing in its Environment Fund has shown modest growth, rising 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 2000–01 biennium to \$113 million 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 2000–07, the GEF has accounted for 36 percent of UNEP's total income.

The programs and resource mobilization efforts of the **other UN GEF Agencies** address their areas of mandate and competence—for example, the

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4 Calculated from OPS4 Technical Document #8, "The Mobilization and Management of GEF Resources."

United Nations Industrial Development Organization: persistent organic pollutants (POPs), ODS, and aspects of energy; the Food and Agriculture Organization of the United Nations (FAO): pesticide POPs, agrobiodiversity, forests, fisheries, and aspects of land and water management; the 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

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 GEF-4, almost all did (except Italy, Norway, Switzerland, and the United States). This was an increase in the proportion doing so for the third replenishment.

The fundamental idea of burden sharing drives the obligations of parties to the multilateral environmental 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.

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 GEF-1, with a very visible decline in purchasing power; 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.

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). 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,<sup>5</sup> 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 GEF-4. 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 GEF-4. 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

<sup>5</sup> Austria US\$eq. 6 million, France US\$eq. 60 million, Germany US\$eq. 19 million and Japan US\$eq. 160 million.

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 in pressing 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 (COPs) through the GEF report to these bodies.

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, IDA, and core environmental support as reported by the DAC. These indicators, as well as the issue of timeliness of payments, are discussed in appendix C and summarized in scorecard format in table 2.2.2.

Although there are no agreed standards in the GEF on donor performance and this scoring system has not been discussed with donors, this summary 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, small donors can outperform larger donors. Luxembourg, the Czech Republic, and Slovenia are small donors, but all three provide funding to the GEF at a level that relative to 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.

Two factors have not yet been fully taken into account. The United Kingdom has been a high-level contributor to the 15th replenishment of IDA (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 environment 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. Even if these two outliers were removed, the resulting picture would not differ in principle.

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, and 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 microlevel; 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

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 that when it comes to scaling up 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 environment area in general and climate change in particular,<sup>6</sup>

<sup>6</sup> Information relating to the World Bank Group has been extracted from World Bank (2008c). Other elements of the discussion draw on the FAO Evaluation Service (2006) evaluation of the TeleFood program, which included an analysis of the experience of other agencies and NGOs.

**TABLE 2.2.2 DONOR PERFORMANCE IN GEF FUNDING**

DONOR	SHARE OF UN	SHARE OF IDA	SHARE OF ODA	TIMELINESS OF PAYMENTS	TOTAL SCORE
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

Source: OPS4 Technical Document #8, "The Mobilization and Management of GEF Resources."

and that 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.

There has been an overall decrease in the number of middle-income countries that are entitled to receive funding from the GEF and that also contribute to the GEF—from 12 during GEF-1 down to 8

in GEF-4 (China, India, Mexico, Nigeria, Pakistan, Slovenia, South Africa, and Turkey<sup>7</sup>). These countries, for the most part, pledged a minimum share of SDR 4 million (about \$6 million),<sup>8</sup> 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.

Middle-income countries notably absent from the current list of donors to the GEF include existing IDA donors—Barbados, Brazil, Cyprus, 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 to Fight AIDS, Tuberculosis and Malaria, is not yet a donor to the GEF; nor are several other upper middle-income countries with relatively large economies, such as Argentina, Chile, Malaysia, and Venezuela. 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.

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, particularly for climate change mitigation, to which many donors now attach a high priority. The Special Climate Change Fund, also managed by the GEF and administered by the World Bank, has allowed donors to contribute separately from the main Trust Fund to the particular objectives of the specialized fund. 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 noted that this would mean that the GEF Secretariat should increasingly play a coordinating role in fundraising.

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 IDA were only \$20 million between 1985 and 1997. In the five-year period 2003–07, 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. 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 FY 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.

IDA received two donations from the private sector in October 2007. The Bank is now further

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7 Nigeria and Pakistan have not yet deposited their instrument of commitment for GEF-4 or any funds.

8 GEF replenishments are cited in terms of SDR (special drawing rights), which is used as a "base currency" and figured as a basket made up of fixed proportions of donor currencies. The GEF-4 replenishment is equivalent to SDR 2.14 billion.

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.

Most of the UN agencies have some arrangement for private donations, but only in the case of the 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.

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.

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).

## 2.3 CONVENTION GUIDANCE

This chapter discusses the relevance of the GEF to the conventions, based on the OPS4 review of GEF responsiveness to convention guidance and its relationships with the conventions.

### Conclusions

- The GEF continues to respond to COP guidance through incorporating guidance into GEF strategies, approving projects, and adapting its policies and procedures.
- 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.
- The GEF continues to be the primary funding source for implementation of the conventions on biodiversity, desertification, and POPs. In climate change, other sources have emerged, but they are not fully operational.
- The Resource Allocation Framework (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.
- The GEF's reporting requirements to the conventions have generally been met, yet certain aspects require improvement.
- Important steps have been set to improve the relationship between the GEF and conventions and their secretariats, most notably the climate change convention.

### Recommendations

- Significant measures have been taken to improve 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.
- 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.
- Prioritization for implementation of guidance from the conventions should be at the national level. Within this prioritization process, issues eligible for GEF support can be identified.
- The GEF should be responsive to new guidance from the COPs between replenishments, either by including an unallocated amount in the replenishment or by accepting additional funds between replenishments to enable implementation of new guidance.
- Reporting from the GEF to the conventions should include a critical assessment of GEF experience with implementation of projects, as well as its experience with incorporating COP guidance into its strategies and program priorities.
- 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.

The legal relationship between the GEF and the conventions it serves is established by individual memorandums of understanding. These memorandums 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 country 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 country parties and parties with economies in transition.

The role of the GEF as a financial mechanism is somewhat different for each convention. For the United Nations Framework Convention on Climate Change (UNFCCC), the GEF operates, on an interim basis, as the financial mechanism for implementation of this convention. For the Convention on Biological Diversity (CBD), the GEF is, on an interim basis, the institutional structure that carries out the operation of the financial mechanism for implementation of this convention. In the case of the Stockholm Convention on POPs, the GEF is available to serve as an entity entrusted with the operation of the financial mechanism of this convention. For the United Nations Convention to Combat Desertification (UNCCD), the GEF has recently become a financial mechanism.

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

## RESPONSIVENESS TO CONVENTION GUIDANCE

The Third Overall Performance Study (OPS3) 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, 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 POPs. OPS3 recommended strengthening the two-way communication between the GEF Secretariat and the secretariats of the conventions to improve guidance and responsiveness. The GEF-4 replenishment policy recommendations reiterated 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.

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 UNCCD, which only recently began providing guidance as the GEF became a financial mechanism for it. OPS4 has tracked all guidance given so far to the GEF, including to the Least Developed Countries Fund and the Special Climate Change Fund, which has been assembled in table 2.3.1. The historical burden of guidance has now reached 317 requests (articles within

**TABLE 2.3.1 NUMBER OF ARTICLES WITHIN GUIDANCE DECISIONS**

YEAR	UNFCCC	CBD	POPs	UNCCD
1994		12 (1)		
1995	10 (1)	4 (2)		
1996	10 (2)	8 (3)		
1997	2 (3)			
1998	9 (4)	6 (4)		
1999	5 (5)			
2000	3 (6)	4 (5)		
2001	10 (7)			5 (5)
2002	19 (8)	13 (6)		
2003	3 (9)			6 (6)
2004	48 (10)	10 (7)		
2005	7 (11)		5 (1)	10 (7)
2006	13 (12)	14 (8)	12 (2)	
2007	9 (13)		17 (3)	9 (8)
2008	12 (14)	7 (9)		
2009			15 (4)	
<b>Total</b>	<b>160</b>	<b>78</b>	<b>49</b>	<b>30</b>

Source: COP decisions as published on the conventions' Web sites.

Note: Guidance decisions are made at the convention COPs; the number of the conference at which the decisions were taken is provided in parentheses.

decisions), about half of which is from the UNFCCC. 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 particularly problematic considering that all guidance is expected to be made operational in order for the GEF to be responsive to the conventions. Guidance continues to be 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 reflective of 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 with 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.

During GEF-4, all the conventions that the GEF serves have provided close to 100 additional articles of guidance. Until the end of GEF-4, several more COPs will formulate guidance: COP10 for the CBD, COP9 for the UNCCD, and most importantly COP15 (to take place in Copenhagen) for the UNFCCC.

## THE NATURE AND PROCESSING OF GUIDANCE

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 being streamlining 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 the parties would undertake certain actions and the GEF would support them.

The conventions have improved their internal coordination on providing guidance by concentrating all guidance into one decision per COP. This is an improvement over 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 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 have an equal potential impact on 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 request a review or study or reporting back from the GEF to the COP.

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, the GEF needs to wait until the next replenishment period to actually respond to COP guidance by incorporating it 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 the GEF Agencies, prepare project proposals that fulfill the GEF strategies. In this way, countries can also fulfill their obligations under the conventions.

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 cofinancing.

The responsiveness of the GEF was assessed through “mapping” of COP guidance to GEF-4 strategies by focal area as well as to the GEF’s policies and procedures. This was 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; e.g., “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).

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 ranging 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 that are not considered here.

The findings by focal area are reported in section 3 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

The 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 the CBD, the UNCCD, and the POPs convention. In climate change, other sources have emerged, but these new funds are not yet fully operational. The review of all GEF-4 projects concludes that the GEF supports the implementation of the conventions and the national obligations under the conventions.

- As mentioned before, since the beginning of GEF-4, there have been about 100 new articles of guidance to the GEF from the conferences and meetings of the parties in the CBD, the UNFCCC, the UNCCD, and the POPs convention. 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 CBD and the UNCCD have recently moved to programmatic approaches. Parties to the CBD developed a four-year framework of program priorities related to utilization of GEF resources between 2010 and 2014. The UNCCD 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 convention secretariats are participating in the GEF task forces for the development of GEF-5 strategies.
- The GEF Secretariat continues to participate actively in the COPs and various events held by the convention secretariats.
- Several countries are conducting national prioritization exercises to determine which projects (and thus, convention priorities) should be funded by the GEF.

There is a perception among various stakeholders that the GEF does not fully follow guidance and

does not appear to be accountable to the COPs. This perception is strongest among convention parties, and of those it is strongest in the climate change convention. The stakeholder survey confirms that this perception is prevalent: although 85 percent of the respondents believe GEF support helps recipient countries with their obligations under the conventions, only 66 percent 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 the COPs and the impact of the RAF on access to GEF funding. The impact of the RAF on GEF responsiveness to the CBD and the UNFCCC is discussed in chapter 2.5, which presents evidence that the level of utilization for countries within the climate change group has been low (37 percent) relative to the countries with individual allocations (68 percent). Furthermore, as of the end of June 2009, data show that SIDS have utilized only 22 percent, and LDCs only 37 percent, of their potential allocation in climate change. The situation is better in the biodiversity focal area, with countries in the group allocation reaching levels of up to 66 percent compared with 78 percent for countries with individual allocations.

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.

Apart from perceptions, which can be addressed through better information sharing, there are other factors that may hinder better responsiveness of the GEF to COP guidance. First, as noted, 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, the GEF needs to wait until the next replenishment to take such guidance into consideration. This applies mainly to guidance that would move the GEF in new directions. It is complicated by the fact that the GEF does not allow donors to target contributions to special guidance in its main Trust Fund, although this is possible in the Special Climate Change Fund. Of course, many of the Council decisions also affect the responsiveness of the GEF; for example, decisions related to implementation of the RAF.

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 (e.g., support to a particular project). Overall, these combined factors lead to problems with the interpretation of guidance.

In general, the GEF does not have sufficient funds to handle increasing demands from the 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.

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

Limited understanding and limited clarity 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 cofinancing (many parties consider this a conditionality to access GEF funding) continue to be debated.

## RELATIONSHIPS BETWEEN THE GEF AND THE CONVENTIONS

OPS3 recommended improving communication between the GEF Secretariat and the secretariats of the conventions. GEF-4 replenishment policy recommendations focused on increasing 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 the GEF and the conventions: (1) quality of reporting from the GEF to the conventions and (2) relationships between the GEF and the secretariats of the conventions.

The GEF is required to report to the COPs at every session. The process begins with the GEF Secretariat preparing a report in collaboration with the Evaluation Office, Agencies, Trustee, and the Scientific and Technical Advisory Panel (STAP). This report is presented to the GEF Council for review and comment. Finally, the report is sent to the convention secretariat and included as an information document to the relevant COP.

The memorandums of understanding between the GEF and the conventions describe the information that is required in these reports. Common reporting requirements include the following:

- Information on how the 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 of the convention and total financial resources allocated to these projects (including cofinancing) since the last reporting
- Opportunities and activities for integration across focal areas

#### ■ Information from the Evaluation Office

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

The GEF has prepared reports for each of the COPs as required by the respective memorandum of understanding, providing the requested information, including a section from the GEF Evaluation Office. Nevertheless, the convention secretariats as well as representatives of parties to the conventions indicated that reporting to the conventions from the GEF was weak. In their perception, the reports consist of a short and inadequate brief of new GEF strategies, and how COP guidance was incorporated into these strategies, including a list of projects funded by the GEF. The following information has been identified as crucial to enhancing the quality of GEF reporting to the conventions:

- Cofinancing data
- Assessment of project implementation experiences
- Feedback on guidance implementation and incorporation
- Results of GEF support to the achievement of convention objectives

The GEF and the convention secretariats are requested by the memorandums of understanding to communicate and cooperate with each other and to consult on a regular basis to facilitate the effectiveness of the financial mechanism in assisting the parties to implement the convention. During GEF-4, several changes have improved this relationship:

- The Secretariats of the conventions now participate in the technical advisory groups that are

developing the GEF-5 strategies. In this way, the secretariats are able to provide direct feedback from the COPs and further clarification on guidance.

- The UNFCCC and GEF secretariats have held retreats; the GEF Secretariat has noted that more frequent retreats will take place in the future.
- GEF Secretariat staff participate on a regular basis in events organized by the secretariats of the conventions.
- During GEF-4, the STAP has undertaken missions to each of the convention secretariats and established working connections to their scientific subsidiary bodies, and convention focal points have participated in STAP meetings.
- Some UNFCCC focal points have participated in the most recent GEF familiarization seminar, where the GEF is introduced to newcomers to the GEF partnership. At the country level, many of the convention focal points are part of GEF national committees and of the decision-making process of prioritization exercises.
- The convention secretariats provide a short update on how each convention is advancing during GEF Council meetings.

Despite the acknowledged improvements that have already taken place, OPS4 maintains that there is room for further improvement 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 UNFCCC can be taken with other conventions as well. Second, further clarification of roles among the different parts of the GEF would also improve relationships.

## 2.4 THE CATALYTIC ROLE OF THE GEF

All previous overall performance studies of the GEF have focused attention on the catalytic role the GEF needs to play in order to have an impact on global environmental issues. However, this role has never been clearly defined or evaluated. This chapter discusses the catalytic nature of the GEF, presenting an analysis of the catalytic role of its strategies, portfolio, and modalities.

### Conclusions

- The catalytic role of the GEF is embodied in its approach through **foundational** 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 this up to a national level to sustainably achieve global environmental benefits.
- The GEF's current funding level 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 SIDS, and the LDCs.
- 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.
- 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

- Funding levels in the GEF should increase substantially to enable the GEF to play its full catalytic role in all recipient countries to ensure that global environmental benefits are achieved.
- 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.
- At the project level, guidance on design, implementation, monitoring, and evaluation of the catalytic role of the project should be encouraged to ensure better tracking and measurement of the GEF's catalytic effect. The Evaluation Office will encourage this through making its methodological framework, data, and findings available for further discussion and elaboration in the GEF partnership.

**O** PS3 focused attention on the catalytic role of the GEF, noting that the GEF on its own cannot reach sustainable impact, and citing 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 particularly appropriate subject for lesson learning and knowledge management and recommended that this should be taken up in GEF-4.

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 for which it strives. 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" (GEF 1995).

In 2007, the GEF Evaluation Office developed a methodological framework to evaluate catalytic effects. This framework was tested in a case study in China, and the Office's country portfolio evaluations led to a reassessment 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, among 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 the GEF modalities in light of the GEF's catalytic role.

## THREE CATEGORIES OF CATALYTIC ACTIVITIES

Analysis of the focal area strategies, as well as the country portfolio evaluations, points toward three broad categories of GEF activities:

- **Foundational:** "foundational" and enabling activities, focusing on policy, regulatory frameworks, and national priority setting and capacity development
- **Demonstration:** medium- and full-size projects and the Small Grants Programme, which focus on demonstration, capacity development, innovation, and market barrier removal
- **Investment:** full-size projects with high rates of cofunding, catalyzing investments or implementing a new strategic approach at the national level

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.

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 microlevel of skills transfer—piloting new technologies and demonstrating new approaches—will fail if these 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 toward 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.

Guidance from the multilateral environmental agreements has been important in ensuring 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; they 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 develop the requisite environmental legislation and regulatory frameworks.

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.

## CATALYTIC NATURE OF THE PORTFOLIO

All GEF projects have been analyzed to identify in which category they would most appropriately belong. The analysis is based on 2,291, or 98 percent, of the approved projects listed in the GEF Project Management Information System (PMIS) on June 30, 2009. The details of the analysis can be found in “Approach to Project Classification” (Methodological Paper #8), available on the GEF Evaluation Office Web site ([www.gefeo.org](http://www.gefeo.org)) and the OPS4 CD-ROM.

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 GEF-1, the funding pattern of the GEF over the three categories has been remarkably consistent (table 2.4.1). The share of foundational activities has gone down gradually over time, from 20 percent in the pilot phase to 6 percent in GEF-4. The share of demonstration activities has, with the exception of GEF-1, been higher than 45 percent and is rising to more than 65 percent in GEF-4. The share of investment has been more or less stable between 15 and 23 percent, with the exception of GEF-1 when it reached a 43 percent share.

The decrease in foundational activities is partly caused by a temporarily 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 GEF-4, which is interesting, as the RAF was supposed to have a dampening effect on

**TABLE 2.4.1 DISTRIBUTION OF GEF FUNDING BY ACTIVITY CATEGORY AND GEF PHASE (%)**

ACTIVITY CATEGORY	PILOT PHASE	GEF-1	GEF-2	GEF-3	GEF-4	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
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: GEF PMIS, through June 30, 2009.

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 GEF-4 is generated by a much lower number of projects than in the other categories. In total, 55 investment projects were approved in GEF-4, which means that two-thirds of recipient countries did not receive any GEF investment support in GEF-4, up to June 30, 2009. The number of foundational 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 2.4.2 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 the POPs and international waters focal areas has been for foundational activities. For POPs, enabling activities focused on the facilitation into early implementation of the Stockholm Convention; for the international waters focal area, transboundary diagnostic analysis/and strategic action program development-related activities account for a major portion of the foundational funding. In contrast, land degradation funding for foundational and enabling activity projects has been marginal.

A major proportion of the funding for ODS and land degradation has been for investment projects.

**TABLE 2.4.2 DISTRIBUTION OF GEF FUNDING BY ACTIVITY CATEGORY AND FOCAL AREA (%)**

ACTIVITY 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
<b>Total</b>	<b>100</b>						

Source: GEF PMIS, through June 30, 2009.

Note: BD = biodiversity; CC = climate change; IW = international waters; LD = land degradation; MF = multifocal.

For ODS, the funding is higher because a significant proportion of 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 for sustainable land management initiated by the GEF in Sub-Saharan Africa.

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

Other cuts through the distribution of activities, by number or region, do not reveal issues that require special attention. However, when looking at groups of countries in special circumstances (table 2.4.4), a skewed distribution is revealed. In four groups of countries — fragile states, SIDS, LDCs, and landlocked countries — the number of foundational activities outnumber demonstration and investment combined; this is not the case for the other recipient countries of the GEF. In several country portfolio evaluations (Benin, Samoa, Madagascar), and in many subregional 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

**TABLE 2.4.3 GEF FUNDING BY ACTIVITY CATEGORY AND AGENCY**

ACTIVITY CATEGORY	UNDP		UNEP		WORLD BANK		OTHER AGENCIES		JOINT		ALL AGENCIES	
	MIL \$	%	MIL \$	%	MIL \$	%	MIL \$	%	MIL \$	%	MIL \$	%
Foundational	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	4,998	62
Investment	296	11	53	9	1,126	33	51	14	358	31	1,885	23
Unable to assess	85	3	2	0	130	4	13	4	23	2	253	3
<b>Total</b>	<b>2,617</b>	<b>100</b>	<b>571</b>	<b>100</b>	<b>3,373</b>	<b>100</b>	<b>354</b>	<b>100</b>	<b>1,151</b>	<b>100</b>	<b>8,066</b>	<b>100</b>

Source: GEF PMIS, through June 30, 2009.

**TABLE 2.4.4 DISTRIBUTION OF GEF NATIONAL PROJECTS BY ACTIVITY CATEGORY FOR VARIOUS COUNTRY GROUPS (%)**

ACTIVITY CATEGORY	FRAGILE STATES	SIDS	LDCs	LAND-LOCKED COUNTRIES	OTHER COUNTRIES <sup>a</sup>	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
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: GEF PMIS, through June 30, 2009.

a. Other countries are those that are not fragile, SIDS, LDCs, or landlocked.

support this to some extent (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 GEF-4. To some extent, the SIDS have received extra support through regional projects and programs, but this is not (yet) enough to provide a counterbalance.

The distribution over groups of countries by this categorization is also caused by the RAF, which the midterm review revealed is biased toward large recipients of GEF support. As a result, the Council in its November 2008 session decided that the new allocation system for GEF-5 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.

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 continues 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.

Compared with national projects, regional and global projects tend to have fewer foundational activities (table 2.4.6). 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 foundational activities is greater (\$4.5 million per project compared with about \$0.5 million for national projects). This difference is seen across focal areas but is most pronounced in the international waters area.

**TABLE 2.4.5 DISTRIBUTION OF GEF FUNDING FOR NATIONAL PROJECTS BY ACTIVITY CATEGORY FOR VARIOUS COUNTRY GROUPS (%)**

ACTIVITY CATEGORY	FRAGILE STATES	SIDS	LDCs	LAND-LOCKED COUNTRIES	OTHER COUNTRIES <sup>a</sup>	ALL NATIONAL PROJECTS
Foundational	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
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: GEF PMIS, through June 30, 2009.

a. Other countries are those that are not fragile, SIDS, LDCs, or landlocked.

**TABLE 2.4.6 DISTRIBUTION OF GEF FUNDING BY ACTIVITY CATEGORY AND PROJECT SCOPE (%)**

ACTIVITY CATEGORY	PROJECT SCOPE		ALL PROJECTS
	NATIONAL	REGIONAL OR GLOBAL	
Foundational	8	19	12
Demonstration	64	59	62
Investment	25	20	23
Unable to assess	3	3	3
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: GEF PMIS, through June 30, 2009.

## EVIDENCE FROM TWO CASE STUDIES AND THE ODS EVALUATION

Two OPS4 case studies examined the GEF’s catalytic role:<sup>1</sup>

- The Energy Conservation and Greenhouse Gas Emissions Reduction in Chinese Township and Village Enterprises project in China was evaluated by the Chinese National Center for Science and Technology Evaluation.
- The Slovenia European Bank for Reconstruction and Development (EBRD)/GEF Environmental Credit Facility was evaluated jointly by the EBRD and GEF Evaluation Offices.

Additionally, the GEF Evaluation Office’s ODS impact evaluation looked at all GEF funding in this focal area.

The **China case study** revealed a success story in replication and scaling up. The objective of the

<sup>1</sup> The full case studies are available as Technical Documents #3 and #4 from the GEF Evaluation Office Web site and on the OPS4 CD-ROM.

project was to reduce greenhouse gas emissions in the township and village enterprise sector by introducing new energy efficient technologies. A crucial factor was the selection of appropriate technologies that were more easily demonstrated and replicated and that 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. 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 driving forces outside the direct reach of the project. A commercial bank provided financing many times higher than originally planned due to the profitability of lending.

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. The evaluators concluded that the project had unexpectedly achieved greater greenhouse gas reduction and scored remarkable demonstration and replication results, leaving behind a strong sustainability legacy.

The **Slovenia Environmental Credit Facility** was implemented successfully but did not succeed in mobilizing the financial sector. The facility’s primary objective 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 was intended to be on industrial companies, small and mid-size 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 transboundary water pollution in the river basin through 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 subborrowers.

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 subborrowers 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 banks' marketing strategy in the water pollution reduction sector nor on their perception of the potential of the sector as a promising business line.

The **ODS impact evaluation** revealed the importance of public-private collaboration (GEF EO forthcoming). 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 the rate of ODS elimination in the country. The catalytic action was the

result of a multifaceted 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, an awareness-raising campaign, and halon recovery and reclamation.

The ODS impact evaluation estimates that about 40 percent of the total ODS phased out in the countries with economies in transition was achieved through catalytic action (GEF EO forthcoming). Government policies, measures, and actions have a significant impact on the speed and extent of catalytic action. Private sector involvement in projects and cofinancing are crucial, as they have a demonstration and replication role as well as an impact on raw material supplier companies. Implementation of policies and measures by the government in the countries with economies in transition was important for promoting 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 chlorofluorocarbons (CFCs) affected all ODS importers equally and encouraged them to import alternative refrigerants that were not ozone depleting.

The two case studies and the 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 at the project level — either of terms of design or in the tracking of achievements.

## 2.5 PROGRAMMING RESOURCES

The GEF conducts programming of resources at different levels: national, program, and global. This chapter looks at issues related to the programming of resources at these various levels. Specifically, it addresses how these resources are relevant to national environmental and sustainable development priorities; the programmatic approaches developed by the GEF and through regional and global projects; and programming at the global level, particularly through the RAF.

### Conclusions

- 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 develop the requisite environmental legislation and regulatory frameworks.
- For most countries, the level of funding is insufficient for implementing convention guidance on adaptation, biosafety, and land degradation.
- As shown in the country portfolio evaluations and country case studies for OPS4, increasing country ownership does not necessarily diminish national attention to global environmental issues, since countries need to respond to the conventions.
- There are currently no incentives to collaborate on regional and transboundary issues, particularly in the climate change and biodiversity focal areas.

### Recommendations

- The GEF should further develop programming of resources at the national level by supporting the creation of GEF national committees and GEF national business plans.
- 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.
- Regional and global programs focusing on transboundary problems should be built on national priorities and conceptual frameworks like those used in the international waters focal area.

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 are described in general terms in chapter 2.2. On the other hand, the GEF is undergoing a process of change in allocating resources which started in GEF-4 with the introduction of the RAF. The midterm review of the RAF, presented to the GEF Council in November 2008, led to the conclusion that a new system for resource allocation would need to be introduced for GEF-5 (GEF EO 2008). OPS4 reviewed the conclusions of the RAF midterm review and found that they are still valid, except for one on the level of funding of global and regional projects.

## PROGRAMMING AT THE NATIONAL LEVEL

According to one of the GEF's operational principles, GEF resources should be programmed at the national level within the sustainable development and environmental priorities and agendas of the countries. OPS4 assessed the relevance of the GEF to national priorities in several ways: (1) GEF support to the development of national priorities (e.g., funding for enabling activities, prioritization exercises), (2) GEF support to the implementation of already established national priorities (e.g., protected areas, energy efficiency), and (3) linkages between the environment and other issues, including poverty.

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 GEF support is embedded within national or local priorities. OPS4 found several examples of linkages between GEF support and national

priorities. The GEF has supported the development and implementation of protected area 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 improve their energy choices; and has facilitated the preparation of POPs national implementing plans, which has helped countries identify POPs and bring them into the national agenda.

One of the most important roles of the GEF has been to provide seed funding for developing and implementing national priorities. This seed funding has been essential in helping countries increase the linkages between the environment and other sectors, particularly productive sectors. The GEF supports activities that the government otherwise would not have developed or introduced. The GEF has assisted countries in keeping many crucial areas of the environment on the national agenda, rather than concentrating only on a few top national priorities. Furthermore, there is evidence that the GEF has supported maintenance of the linkages between poverty and the environment, most typically in 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 also highest. In particular, the Small Grants Programme has helped place the environment and the GEF “on the map” with regard to local authorities and NGOs.

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

Another area of relevance found is that 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 decreased reliance on international consultant expertise.

According to comments made by GEF focal points, GEF support is considered to be relatively consistent compared with 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), the 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.

The analysis of all GEF-4 approved projects shows that the objectives of all these projects target environmental priorities defined in national development plans, programs, and strategies. Capacity building, considered by many countries a national priority, was found to be a cross-cutting issue embedded in the majority of project objectives.

Country evaluations showed that ownership varies: from SGP 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 by focal area; 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 been implemented in sensitive, political areas,

dealing with border disputes and exploitation of shared natural resources).

Evidence gathered in the country portfolio evaluations and OPS4 country case studies shows 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 interministerial and/or multilateral committees) in several of the countries studied (Cameroon, Costa Rica, Egypt, and South Africa) demonstrates that the GEF becomes more efficient (regarding 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.

The country portfolio evaluations and OPS4 country case studies show differences among countries in the way 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 GEF support into its financial tracking system for aid. The GEF's project mode of operation may encourage isolation and promote the perception that GEF grants are "on top of" other flows of financial support.

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

■ **GEF principles.** The concept of incremental cost could reduce relevance to national priorities, forcing a 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 “GEF-able” (GEF eligible), there is a possibility of losing the linkages with national priorities. Furthermore, OPS4 found that many stakeholders perceived 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 as opposed to issues in water and land management, which are aligned more closely with 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 component. Furthermore, countries are responding to their obligations under the global conventions, as described in chapter 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 RAF 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-size 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 its potential to support national agendas.

■ **National issues.** National coordination to deal with global problem is not well organized, and sometimes there are different competing interests among 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 among GEF stakeholders that GEF projects are Agency-driven, although, as presented above, the objectives of all the projects reviewed were considered to be directly linked to national priorities. Furthermore, changes in government or in GEF focal points may change national priorities or modalities of engaging different sectors, which affects the way a country engages with the GEF. Some projects may have a stronger linkage with an Agency’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 variations in between, 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.

## PROGRAMMATIC APPROACHES AND GLOBAL AND REGIONAL PROJECTS

Following is a brief review of 34 programmatic approaches, as identified by the GEF Secretariat, and 60 completed regional and global projects. There may be some overlap in 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.

## PROGRAMMATIC APPROACHES

The concept of the programmatic approach as applied in the GEF was described in “From Projects to Programs: Clarifying the Programmatic Approach in the GEF Portfolio” (GEF 2008a). The OPS4 review was based on program framework documents; “child” projects developed and approved under these programmatic approaches were not reviewed. Therefore, OPS4 could not conduct an assessment of their performance or effectiveness, but only an assessment of the programmatic approach design.

The review used several criteria to assess the program framework documents: the value added of programmatic approaches, country ownership, governance and management arrangements, and monitoring and evaluation plans. Of the 34 approaches reviewed, 62 percent were approved during GEF-4, with the rest approved in previous GEF phases.

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, and 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, the private sector, donor agencies, and so on. However, these aspirations are not always reflected in the governance setup and institutional arrangements of a program. The linkages between the programmatic approaches and the child projects are not clear in the design and management structure. Furthermore, some stakeholders consulted indicated that they remained unconvinced of the regional linkages among child projects.

Overall, **country ownership** was found to be relatively weaker for global and regional programmatic approaches compared with national ones, based on information provided in the program framework documents. Most programmatic approaches that were considered weak in terms of country ownership were initiated by the GEF Secretariat or GEF Agencies. The GEF expects approaches to be demand driven and built on national policies (GEF 2008a).

The presentation of **governance and management arrangements** was 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 governance and management arrangements satisfactorily.

With regard to **monitoring and 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 monitoring and evaluation plans at the programmatic level does not fulfill one of the principles presented in the GEF paper on this topic (GEF 2008a).

## REGIONAL AND GLOBAL PROJECTS

Regional and global projects are modalities characteristic of the GEF since its inception. Historically, the GEF has provided \$2.884 billion in support to countries through 462 regional and global projects. These projects include a wide range of different activities, such as programmatic approaches, umbrella projects, targeted portfolio approaches,

## BOX 2.5.1 PROGRAMMATIC APPROACHES IN INDIA

Three programmatic approaches supported by the GEF were recently launched in India: the Sustainable Land and Ecosystem Management Partnership Program, the Coastal and Marine Program, and the Energy Efficiency Program.

These three programs exhibit good **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 the program's implementation. The Energy Efficiency Program is linked to the country's Energy Conservation Act to mainstream energy efficiency measures and stimulate market transformation. The program and its projects have been designed to meet India's targeted energy consumption reduction at the national level as set forth by the country's 2007–12 five-year plan.

The Coastal and Marine Program presents a good example of **governance, coordination, and monitoring and evaluation planning**. The proposed monitoring and evaluation 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 funding allocated to a “programmatic knowledge-sharing” subcomponent to include reporting structures for program impact as well as recommendations for mid-course correction activities. These elements aim to ensure effective implementation of not just individual projects, but of the programmatic effort as a whole.

corporate programs, as well as enabling activities and full- and medium-size projects. OPS4 conducted a review of 60 completed regional and global projects for which terminal evaluations are available. The review focused on country ownership and value added of these modalities.

The review of **country ownership** showed mixed results. On the one hand, 26 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 transboundary diagnostic analysis/strategic action program 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 project objectives to national priorities, low visibility for regional project activities and outcomes at the national level, the institutions and stakeholders involved in project activities and outcomes are not necessarily the right ones or are not sufficient, and the relevance of project 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.

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, these are sometimes not achieved. This failure is often related to project design. The complexity and overly ambitious nature of global and 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 project funding, how buy-in from countries could be ensured, and how flexible management arrangements could be set up. Management, administration, and monitoring and evaluation arrangements were other areas identified as weak in the terminal evaluations.

Some stakeholders indicated that, in some cases, there was limited coherence between the regional projects and GEF Agency programs. This gap can

lead to delays in the pipeline, or missed opportunities to conduct programming with the GEF. Cofinancing was also mentioned as a problem in regional and global projects. Some stakeholders suggested that “softer” cofinancing arrangements should be explored, given the reluctance of many countries to participate in regional projects.

Terminal evaluations highlighted a number of successful outcomes across all focal areas; impact at the global environmental level was limited. Most projects reported some type of positive outcome at the national, regional, and/or global level. Awareness raising and knowledge dissemination were two of the most frequently cited outcomes. Networking and the promotion of closer partnerships among stakeholders were also identified as a critical outcome. Global and regional projects were considered to be effective in pushing forward new and existing environmental concerns. However, few impacts of global environmental significance have been conclusively identified throughout the portfolio, except within the international waters focal area.

## PROGRAMMING THROUGH THE RAF

At the global level, the GEF programs resources within each replenishment period. OPS4 reviewed the resources available for programming in GEF-4. The first level of programming takes place at the focal area and then, introduced in GEF-4 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.

From the resources available in GEF-4, 66 percent were allocated for the biodiversity and climate change focal areas (33 percent each) — thus, two-thirds of the GEF resources available for programming were covered through the RAF. Of the other

focal areas, international waters was allocated 15 percent, land degradation 9 percent, POPs 9 percent, and ODS the remaining 1 percent. While resources for the biodiversity and climate change focal areas were further allocated using the RAF, recipient countries continued to access resources for the other focal areas on a first-come, first-served basis. For accessing RAF resources, recipient countries 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 have been covered in the Evaluation Office’s midterm review of the RAF (GEF EO 2008).

Of the ex ante programmed resources, 73 percent had been utilized by June 30, 2009. For the focal areas covered under the RAF, slow progress in utilization of the resources available for programming was reported in the midterm review, which covered the period up to June 30, 2008. During the third year of GEF-4, however, utilization improved substantially; it now stands at 69 percent for both focal areas combined. For the focal areas not covered under the RAF, utilization up to June 30, 2009, is estimated to be about 79 percent.

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

Data by group of recipient countries show that SIDS are able to utilize RAF resources for biodiversity better than for climate change. However, since they

**TABLE 2.5.1 RAF UTILIZATION BY ALLOCATION CATEGORY**

FOCAL AREA	INDIVIDUAL ALLOCATION COUNTRIES	GROUP ALLOCATION COUNTRIES	EXCLUSION FOR REGIONAL/ GLOBAL PROJECTS	ALL COUNTRIES
<b>BIODIVERSITY</b>				
No. of countries	57	93	—	150
Indicative GEF-4 allocation (million \$)	751	149	50	950
Utilization in million \$ (%)	573.2 (76%)	98.4 (66%)	38.7 (77%)	710.3 (75%)
<b>CLIMATE CHANGE</b>				
No. of countries	46	115	—	161
Indicative GEF-4 allocation (million \$)	753	147	50	950
Utilization in million \$ (%)	512.4 (68%)	53.9 (37%)	29.9 (60%)	596.2 (63%)
<b>TOTAL UTILIZATION in million \$ (%)</b>	<b>1,085.6 (72%)</b>	<b>152.3 (51%)</b>	<b>68.6 (69%)</b>	<b>1,306.5 (69%)</b>

Source: GEF PMIS, through June 30, 2009.

have a relatively higher share in biodiversity funding than in climate change, their overall utilization levels are comparable to the overall figures for the GEF portfolio (table 2.5.2).

The assessment of data on utilization of resources allocated through the RAF shows that there is little difference between the relative level of utilization of GEF funding from the earmarked set-aside for

**TABLE 2.5.2 RAF UTILIZATION BY VARIOUS COUNTRY GROUPS**

FOCAL AREA	FRAGILE STATES	SIDS	LDCs	LAND-LOCKED COUNTRIES	OTHER COUNTRIES <sup>a</sup>
<b>BIODIVERSITY</b>					
Notional allocation (million \$)	89.8	111.4	158.2	87.4	627.3
Utilization (million \$)	59.2	93.6	108.2	52.7	454.8
Utilization as % of notional allocation	66	84	68	60	73
<b>CLIMATE CHANGE</b>					
Notional allocation (million \$)	61.5	41.7	85.8	103.6	746.6
Utilization (million \$)	38.2	9.1	32.1	25.2	497.0
Utilization as % of notional allocation	62	22	37	24	67
Utilization as % of total notional allocation	64	66	58	41	69

Source: GEF PMIS, through June 30, 2009.

a. Other countries are those that are not fragile, SIDS, LDCs, or landlocked countries.

global and regional projects and the individual and group allocations of countries (table 2.5.1). Further, in addition to the resources allocated through the earmarked RAF set-aside, a portion of funding from country allocations and group allocations is also used for global and regional projects. These emerging findings obviate the concern raised in the midterm 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” (GEF EO 2008, eighth conclusion).

The midterm review found that, at the mid-point of GEF-4 (June 30, 2008), global and regional projects accounted for 1 and 2 percent of the total for the biodiversity and climate change focal areas, respectively (GEF EO 2008, table 6.3). These shares were considerably lower than the GEF-3 figures for these focal areas. By June 30, 2009, the GEF funding share for global and regional projects had increased to 21 percent for biodiversity and to 4

percent for climate change.<sup>1</sup> 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 midterm review thus no longer holds.

In general, the midterm review concluded that the RAF for GEF-4 was too complicated for a partnership and network organization such as the GEF. Given the fact that the intention was to apply the RAF to all focal areas in GEF-5, if feasible, the midterm review also recommended that the GEF would need to shift to one integrated allocation per country to do so.

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





PROGRESS TOWARD  
**IMPACT**

- 3.1 From Hypothesis to Evidence
- 3.2 Climate Change
- 3.3 Biodiversity
- 3.4 International Waters
- 3.5 Ozone-Depleting Substances
- 3.6 POPs, Land Degradation, and Multifocal Area Support

## 3.1 FROM HYPOTHESIS TO EVIDENCE

The progress of the Global Environment Facility (GEF) portfolio toward global environmental benefits is measured through a new assessment methodology that uses existing independent evaluative evidence. This chapter introduces this analysis and some of its implications; the details are described in the subsequent chapters in this section on focal area results. Progress toward impact differs by focal area because the problems need to be tackled in different ways, on different scales, and in different time perspectives. Some environmental problems can and should be solved quickly, while others will take decades.

### Conclusions

- 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 remaining 30 percent of projects show no progress, yet even in the last category there is evidence that impact can be achieved if remedial action is taken.
- In terms of funding amounts, larger 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.

### Recommendation

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

## BACKGROUND, METHODOLOGY, AND SCOPE

The Third Overall Performance Study (OPS3) 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 (GEF OME 2005a, p. 16). 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 with 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 an annual report on impact.

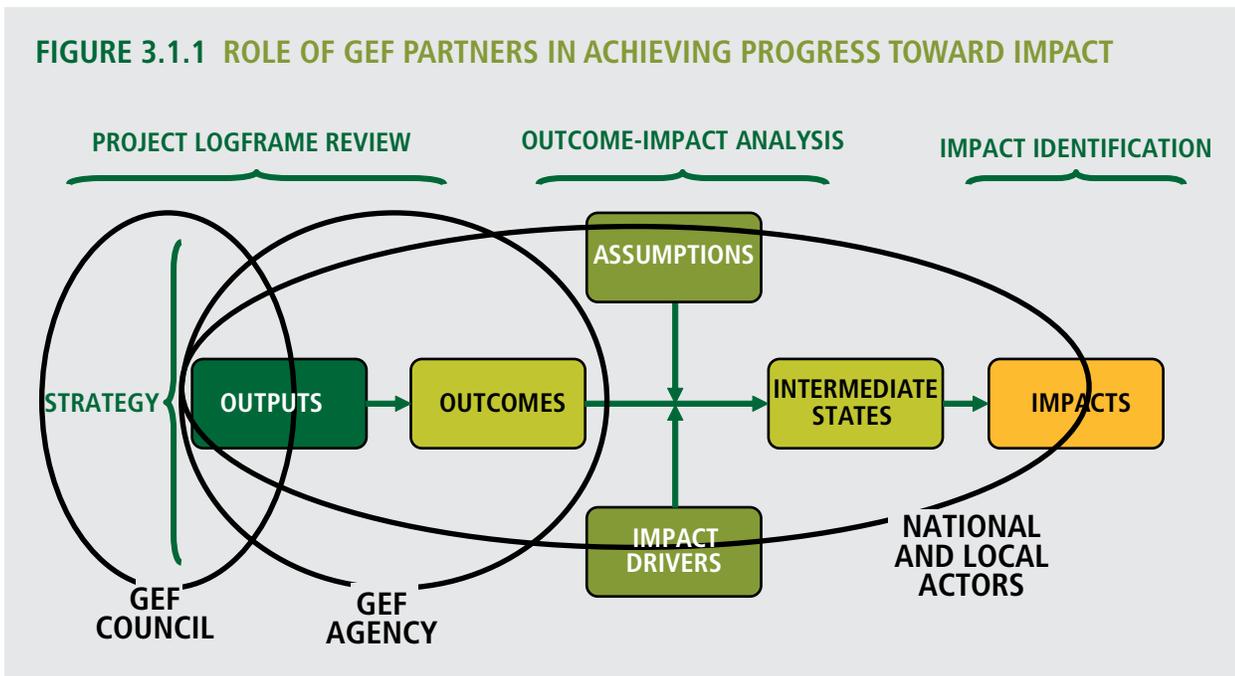
The nature of the impact of GEF-supported projects and interventions needs to be understood in line with the GEF's catalytic nature. The GEF does not intervene on its own, but together with international, national, and local partners. These partners are "catalyzed" through GEF support and continue working 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.

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 greenhouse gas (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).

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

**FIGURE 3.1.1 ROLE OF GEF PARTNERS IN ACHIEVING PROGRESS TOWARD IMPACT**



termed by the GEF Evaluation Office the **review of outcomes to impact (ROtI) methodology** (figure 3.1.2) 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, markets, and management of natural resources, and ultimately leading to global environmental benefits.<sup>1</sup>

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

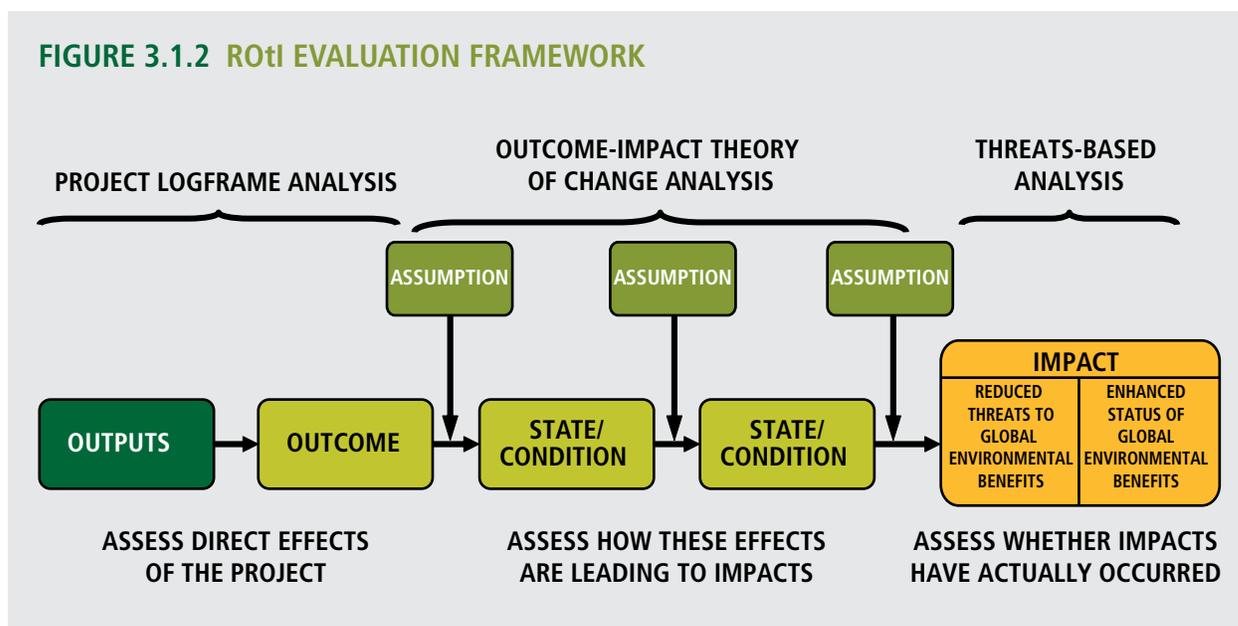
outcomes to intermediate states to impact should be taken as a simplification of a multilinear process.

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 studies undertaken for the Fourth Overall Performance Study (OPS4). 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.<sup>2</sup> 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 ozone-depleting substances (ODS).

1 For more information, see “The ROtI Handbook: Towards Enhancing the Impacts of Environmental Projects” (Methodological Paper #2), available on the GEF Evaluation Office Web site ([www.gefeo.org](http://www.gefeo.org)) and the OPS4 CD-ROM.

2 Documentation from the full impact evaluation is available on the GEF Evaluation Office Web site at [www.thegef.org/gef/node/1560](http://www.thegef.org/gef/node/1560).

**FIGURE 3.1.2 ROTl EVALUATION FRAMEWORK**



It is important to stress that the ROTl review, although primarily a desk exercise, is based on independent or independently verified evaluations that included fieldwork. In other words, this is not paper on top of paper, but an 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.

All desk reviews first identify the strategy 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 (FY) 2005. Of these, several projects were not taken through to a final rating for 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 received a ROTl rating. The ODS impact evaluation rated all ODS projects for progress toward impact (GEF EO forthcoming); thus, in all, 205 projects received ROTl ratings, with some bias toward the full ODS portfolio.

When all ratings were available, a check was performed to see how the ROTl ratings on outcomes complemented the GEF Evaluation Office's annual performance report's ratings for terminal evaluations on outcomes.<sup>3</sup> The two sets of ratings measure different aspects of outcomes. The annual performance report ratings focus on achievement of intended outcomes, whereas the ROTl rates 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

<sup>3</sup> See "Comparison of ROTl to APR Ratings" (Technical Document #11), available on the GEF Evaluation Office Web site ([www.gefeo.org](http://www.gefeo.org)) and the OPS4 CD-ROM.

outcomes in ROTIs versus outcomes in the annual performance report. Further methodological development should lead to a fuller understanding of the complementarities of the two sets of ratings.

A second check was performed on the intermediate states ratings of ROTI versus the ratings for sustainability of the annual performance report. 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 toward 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 to get intermediate states moving forward to achieve impact.

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 annual performance report rating and is new and additional, identifies whether the mechanisms that enable the delivery of impact actually work. That is, in many projects there is evidence of global environmental benefits at project end; 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 may disappear or remain small in the absence of follow-up. However, they demonstrate that the mechanisms to achieve the global benefits at least theoretically work in a particular project and have been so documented by project closing.

For many projects, it is not yet possible to record impacts, let alone global environmental benefits, 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: new technologies that reduce GHG emissions are a case in point. Climate change, persistent organic pollutants (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.

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 second, 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 not show any follow-up. Nevertheless, it may have demonstrated impact — so it is potential “low-hanging fruit” for follow-up action to achieve solid progress toward impact.

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, project proposals, midterm 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

Ratings were combined to identify projects whose outcomes were making solid progress toward 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 show that additional action needs to be taken to ensure that the outcomes of these projects proceed toward impact.

Of the 205 rated projects, 80 intermediate states show solid progress toward impact, 64 need further action, and 61 currently show no progress (table 3.1.1). 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. Nevertheless, one-third of the projects that currently show no progress from outcomes to intermediate states 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 (table 3.1.2). This is illustrative not only of the availability of resources to execute project activities, but also a typically longer timeframe 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 OF GEF TERMINATED PROJECTS**

PROGRESS	NO. OF PROJECTS	%	NO. OF PROJECTS W/ DEMONSTRATED IMPACT	%
Solid	80	39	44	21
Further action needed	64	31	24	12
None	61	30	21	10

**TABLE 3.1.2 PROGRESS TOWARD IMPACT IN TERMS OF FUNDING FOR GEF TERMINATED PROJECTS**

PROGRESS	FUNDING FOR PROJECTS (MILLION \$)	%	FUNDING FOR PROJECTS W/ DEMONSTRATED IMPACT	%
Solid	385	44	255	30
Further action needed	278	33	170	20
None	195	23	25	3



There is no international benchmark that will help the reader understand these ratings and what they say about the GEF. No international agency has used independent evaluative evidence to rate its portfolio performance beyond the outcome level. Many agencies and funds have increased their work on impact evaluations, but have not yet done so at 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 that is yet measuring its contribution to impact in a systematic manner for its full portfolio.

That the GEF is the first agency to move in this direction means that it cannot yet be positioned

vis-à-vis other agencies, as it can on outcome ratings. The progress shown in tables 3.1.1 and 3.1.2 currently can 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.

In discussing the new GEF monitoring and evaluation policy with GEF partners, emphasis will be placed on how this new methodology could be integrated into the new results-based management framework the GEF will be working on for GEF-5.

## 3.2 CLIMATE CHANGE

This chapter brings together evidence from various sources on the climate change focal area. It discusses whether the focal area has followed convention guidance, provides an overview of its portfolio, and looks at the progress of finished projects toward impact and reflects on what this progress means for GEF climate change strategies. These issues are presented first for mitigation of climate change through reduced or avoided GHG reductions and then for adaptation to climate change, focusing particularly on the Least Developed Countries Fund (LDCF).

### Conclusions

- GEF climate change funding has supported a solid level of achievement of progress toward intended global environmental benefits, both in reduction or avoidance of GHG emissions and in sustainable market changes.
- Despite this achievement, the GEF contribution to reduction in GHG emissions is quite small compared to that required at the global level to ensure a more sustainable development path.
- Projects that show a higher level of progress toward global environmental benefits demonstrate more specific attention in design and/or implementation to steps needed to catalyze government commitment from national to local levels; coherent financial, policy, tariff/tax incentives to influence the market; commitment of resources necessary to scale up project benefits; and measures to generate and encourage 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 the project has terminated.

### Recommendations

- To reach their 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, the support of such actors cannot be guaranteed by any project. This suggests the value of a portfolio approach at the national level, which currently only exists in larger GEF recipient countries. A portfolio approach that 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.
- 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 GEF 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.

## MITIGATION

### CONVENTION GUIDANCE

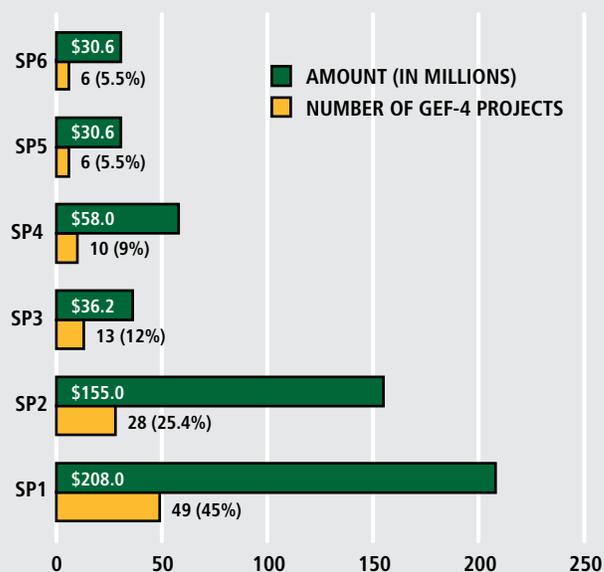
The GEF acts as an operating entity of the financial mechanism to the United Nations Framework Convention on Climate Change (UNFCCC) and also acts as the secretariat for the Adaptation Fund Board (which, because it is a recent development, has not been assessed in OPS4). During GEF-4, the UNFCCC Conference of the Parties (COP) has met three times, generating guidance on several issues such as technology transfer, national communications, impact of the Resource Allocation Framework (RAF), and simplification of processes in the GEF. In addition, guidance was given for the LDCF and the Special Climate Change Fund (SCCF); this is reviewed later in this chapter in the discussion of adaptation. Table 3.2.1 shows the guidance to the GEF during GEF-4 on mitigation and the response of the GEF.

RAF implementation issues are important, particularly for group countries. The RAF has affected the access of group countries to the GEF, particularly for those with a group allocation in climate change; only 34 percent of countries have accessed climate change funding in GEF-4 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 the RAF is still not widely understood. Regarding national communications, very few countries have requested funding for their third and/or fourth communication.

During GEF-4 (as of June 30, 2009), the GEF Council approved 92 projects (\$446 million) and 16 project identification forms (PIFs) (\$25 million) for a total of \$471 million in utilization. An additional 22 projects are classified under the multifocal area 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 percent of the funding has gone

to energy efficiency technologies and practices (\$363 million), 64 percent for energy efficiency projects dealing with residential and commercial buildings; the rest deal with the industrial sector (figure 3.2.1). Renewable energy projects (about \$36 million) have concentrated on promoting market approaches. New low-GHG-emitting energy technologies (particularly from biomass) have received about \$60 million. Land use, land use change, and forestry, an important item of discussion at the convention, has received about \$31 million. Promotion of sustainable innovative systems for urban transport continues to receive a very small proportion of

**FIGURE 3.2.1 CLIMATE CHANGE MITIGATION: PROJECTS AND PIFs APPROVED FOR GEF-4 BY STRATEGIC PROGRAM**



Source: GEF PMIS, through June 30, 2009.

SP1: Promoting energy efficiency in residential and commercial buildings

SP2: Promoting energy efficiency in the industrial sector

SP3: Promoting market approaches for renewable energy

SP4: Promoting sustainable energy production from biomass

SP5: Promoting sustainable innovative systems for urban transport

SP6: Management of land use, land use change, and forestry as a means to protect carbon stocks and reduce GHG emissions

**TABLE 3.2.1 MITIGATION: COP GUIDANCE TO THE GEF DURING GEF-4 AND GEF RESPONSE**

GUIDANCE	GEF RESPONSE	COMMENTS
Support to address developing country needs for environmentally sound technologies	<ul style="list-style-type: none"> <li>■ Support to a global program, Technology Needs Assessment (TNA), has been launched (implemented by the United Nations Environment Programme</li> <li>■ Call for proposals for technology transfer pilot projects issued March 2009</li> </ul>	<ul style="list-style-type: none"> <li>■ Too early to assess, but GEF strategies in climate change are supportive of technology transfer, and the GEF supports improvements in the enabling environment at the national and regional levels that are necessary for technology transfer</li> <li>■ TNA project approved in June 2009</li> </ul>
Address gaps identified in GEF regarding technology transfer; leveraging of the private sector	To be included in GEF-5	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
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, e.g., have accessed the GEF (see chapter 2.5)
Provide information on the nature of cofinancing of projects	Analysis included in GEF report to COP15	GEF report to COP15 provides information on cofinancing
Improve access of the GEF by small island developing states and African countries	Two programs have been approved to assist these countries in accessing the GEF: Programming: Pacific Alliance for Sustainability (PAS) and West African Programs	Within PAS, seven projects will address climate change adaptation and five mitigation; within West Africa Programs, about \$45 million is expected to be allocated for climate change
Support to third or fourth national communications by the end of GEF-4	GEF will continue to meet the full agreed costs related to implementation of Article 12.1 of the convention	One project has been approved to support third 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	The GEF has conveyed this issue to the GEF Agencies	Some evidence from country evaluations and studies that some recipient countries are relying less on international consultants (see chapter 2.5)
Simplify and streamline incremental cost	The GEF has approved new guidelines on incremental cost	The GEF Council has simplified; no validation of implementation

Note: SBI = Subsidiary Body for Implementation.

the climate change allocations (about \$31 million). Twelve of the 22 multifocal projects included specific allocations to strategic priorities; most of these were related to energy production from biomass.

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 energy. Regarding new

national communications, only one has been approved (Argentina's third communication); 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 national development plans, programs, and strategies (77 percent mitigation and 18 percent adaptation); the remaining 6 percent were national communications.

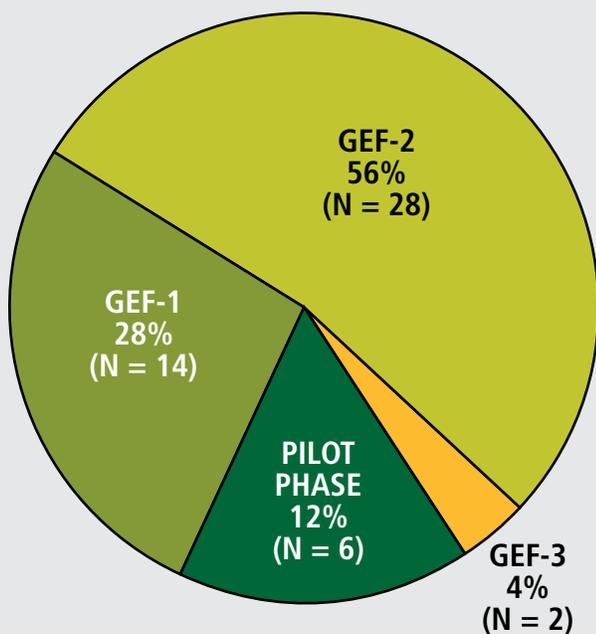
### REVIEW OF PROGRESS TOWARD MITIGATION IMPACTS

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 emissions reduction/avoidance at project closing (based on terminal evaluations). Figure 3.2.2 shows the overall sample of projects analyzed using the ROTI (50 in total<sup>1</sup>), broken down by GEF phase; while figure 3.2.3 shows that, of this number, 31 projects actually achieved measured GHG impacts, accounting for 65 percent of the cohort of

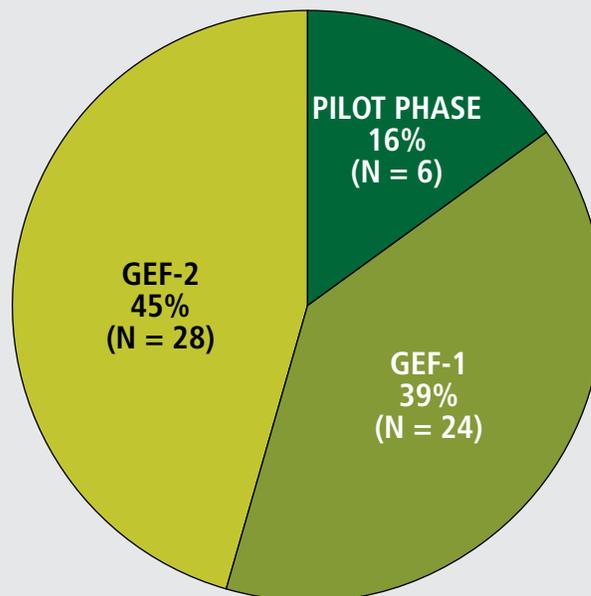
<sup>1</sup> Three of the projects in the original cohort of 51 were enabling activities that had no emissions target or expected global environmental impact; one was a regional project split in two, and thus accounting for two projects in the sample; and one was missing its implementation completion report, bringing the total accounted for to 50 in this sample for impacts.

**FIGURE 3.2.2 DISTRIBUTION OF CLIMATE CHANGE PROJECTS BY PHASE**



Source: GEF PMIS, through June 30, 2009.  
Note: N = 50.

**FIGURE 3.2.3 CLIMATE CHANGE PROJECTS ACHIEVING IMPACT BY PHASE**



Source: GEF PMIS, through June 30, 2009.  
Note: N = 31.

projects analyzed (31 of the 48 projects for which impacts could be expected).

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

Table 3.2.2 summarizes the ratings from the ROTI process for the cohort of 51 projects. The most common ratings relate to BC (30 percent), followed by AB (24 percent), and CD (10 percent). There appears to be a strong relationship between outcome achievement and impact achievement. Fully 90 percent 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, which 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 emissions 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.

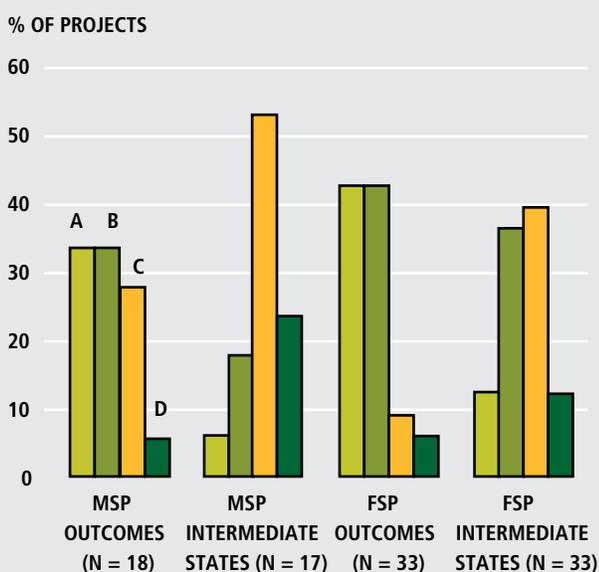
As shown in figure 3.2.4, full-size projects (FSPs) generally perform better than medium-size projects (MSPs) when it comes to outcomes, as well as with intermediate states. The success rate for FSPs is due to a range of factors. Most importantly, FSPs in this cohort tended to be older (all 6 pilot and 12 GEF-1 projects are FSPs); they thus tended to focus on the “low-hanging fruit” characteristic of the first GEF projects, with larger marginal gains. In addition, over half of the FSPs (53 percent, compared with 32 percent of the MSPs) were located in Asia and

**TABLE 3.2.2 DISTRIBUTION OF ROTI RATINGS FOR CLIMATE CHANGE COHORT (%)**

OUTCOME	INTERMEDIATE STATE					WITH IMPACT
	A	B	C	D	GRAND TOTAL	
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	

Note: ■ = projects that can be described as making solid progress toward impact  
 ■ = projects that do not show such progress  
 ■ = projects that show promise to move forward, either because of highly successful outcomes or promising intermediary states; these will need additional inputs to ensure continued progress toward impact  
 ■ = projects with evidence of impact achieved at project termination

**FIGURE 3.2.4 ROTi RATINGS FOR CLIMATE CHANGE PROJECTS BY PROJECT SIZE**



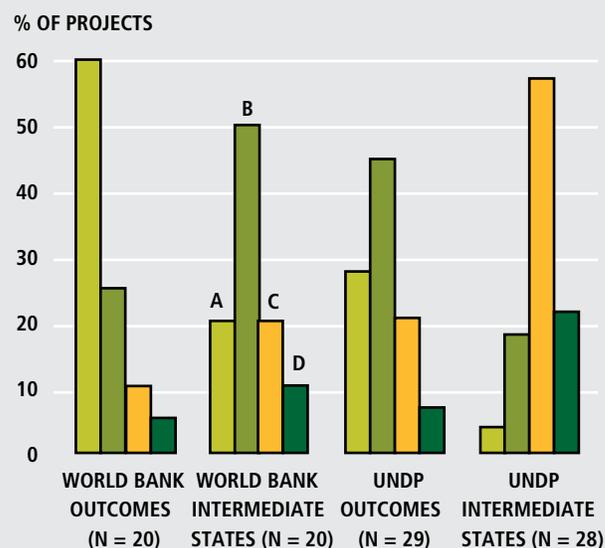
Latin America, where the markets and basic management capacities are typically more developed at project inception, providing a comparative advantage in promoting market transformation and also in terms of general project performance.

These findings are 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 fossil fuel use, profitability in energy savings in small and medium-size investments, and

the fact that successful pilot demonstrations could be scaled up and replicated at a large scale. A last set of factors explaining the relative success of FSPs is that, by virtue of their large scale, they are able to attract larger amounts of cofinancing; and having often been 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.

Implementing Agencies also played a role in the performance of the projects within the cohort assessed. Figure 3.2.5 illustrates that World Bank projects tended to perform better on both outcome and intermediate state ratings than those by the United Nations Development Programme (UNDP) (As there are only two projects implemented by the United Nations Environment Programme [UNEP] 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,

**FIGURE 3.2.5 ROTi RATINGS FOR CLIMATE CHANGE PROJECTS BY IMPLEMENTING AGENCY**



where 79 percent (15 of 19 projects) achieved impacts, compared with a reporting of 56 percent of UNDP projects (15 of 27). Among those projects that achieved impact, 48 percent are implemented by the World Bank (15 of 31), 48 percent by UNDP (15 of 31), and 3 percent by UNEP (1). Again, these findings are related, in particular, to project size and cofinancing. As World Bank projects are mostly comprised of FSPs (67 percent, or 14 of 21; compared with 59 percent or 17 of 29 for 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.

Generally, unmet or partially met external assumptions that have impeded results achievement in the portfolio can be grouped along the following broad categories of project shortcomings:

- 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
- Lack of adequate assessment of incentives in place for the use of a particular technology

Similarly, unmet or partially met impact drivers that have impeded result achievement in the portfolio can be regrouped along the following broad categories of project shortcomings:

- Lack of strong government commitment whether national, provincial, local, or municipal, depending on the level of intervention

- Lack of an adequate and coherent set of financial, policy, tariff, and tax incentives in place to bring about change in behavior and the market
- Lack of adequate resources available for scaling up demonstration efforts (both from the government and the 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 prefeasibility assessment on the development of a given renewable energy or energy efficiency market
- Lack of cost-effectiveness of the technological shift proposed in view of the market and alternatives
- Lack of adequate capacity (be it national, provincial, or local) to design, implement, manage, and monitor sound investments

OPS4 undertook a field ROTI on the Western Java Environmental Management Project (GEF ID 765), supported by \$1.74 million of GEF funding. This project existed 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 environmental benefit was reduced methane generation, and therefore reduced GHG 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 toward waste management and has put in place the underlying laws and processes for integrated waste management systems necessary to support composting. However, the government regulations, incentives, and markets needed before the desired global environmental

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 toward delivering its intended global environmental benefit. Action can be taken to bring the satisfactory outcomes forward toward intermediate states.

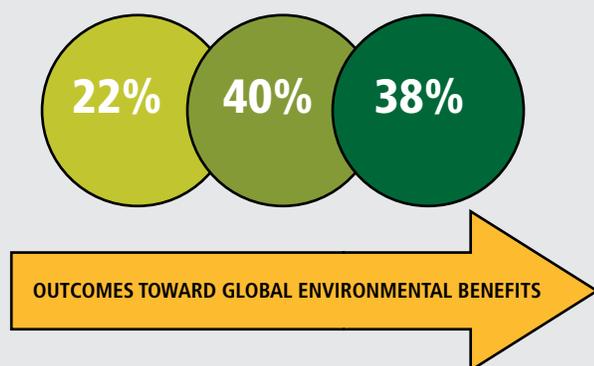
### PROGRESS TOWARD GLOBAL ENVIRONMENTAL BENEFITS

About 38 percent of the climate change project cohort has made strong progress toward global environmental benefits, based on their combined ratings for the targeted outcomes achieved, as measured by the ROTI method and their progress toward the intermediate states likely to be necessary for them to reach their environmental objective (figure 3.2.6). At the other performance extreme, 22 percent of projects have made no progress toward their intended global environmental benefits and are therefore considered highly

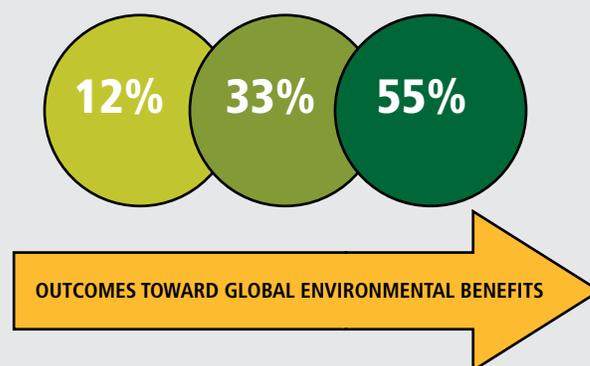
unlikely to achieve them. The remaining 40 percent of the projects were in the moderate progress range, which indicates that they have produced results with the possibility of contributing to global environmental benefits, but have not begun to take the necessary steps to do so. Additional impact drivers 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.

When the ratings are placed in the context of funding provided, the picture changes substantially (figure 3.2.7). Fully 55 percent of the funds were spent on projects with strong progress toward global environmental benefits 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 percent) of funds was expended on projects, which had made no progress toward their intended global environmental benefits by the time of their terminal evaluation.

**FIGURE 3.2.6** PROGRESS TOWARD GLOBAL ENVIRONMENTAL BENEFITS IN CLIMATE CHANGE: PROJECTS



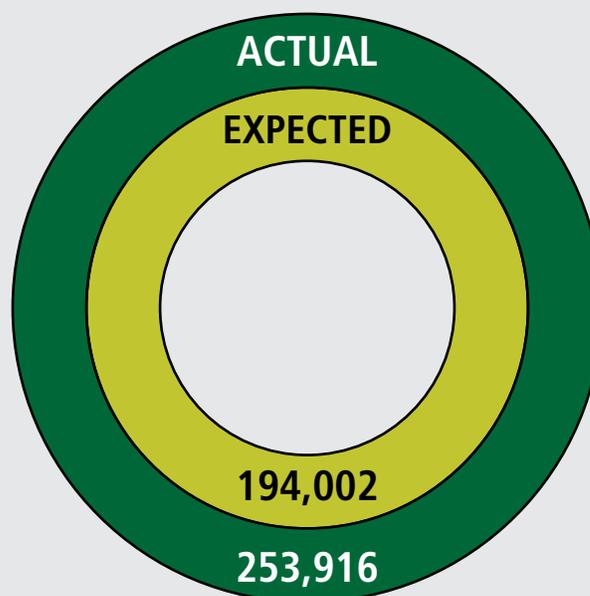
**FIGURE 3.2.7** PROGRESS TOWARD GLOBAL ENVIRONMENTAL BENEFITS IN CLIMATE CHANGE: FUNDING



## COST-EFFECTIVENESS

Cost-effectiveness can be explored directly from the narrow perspective of GHG emissions reductions. OPS4 employed a standard methodology for the calculation of reductions and avoidance of GHG emissions (GEF EO 2009c). As illustrated in figure 3.2.8, upon examining direct lifetime emissions reductions or avoidance for a sample of 31 projects (documented at project closing), actual carbon dioxide (CO<sub>2</sub>) emissions reductions (according to terminal evaluations) were higher than expected emissions (according to project documents), by a large margin. This is at least partly due to the success of a single project, Barrier Removal for the Widespread Commercialization of Energy-Efficient CFC-Free Refrigerators in China (GEF ID 445), which achieved about 127,000 of the 225,000 (or 56 per cent) of the kilotons of CO<sub>2</sub> emissions reduced or avoided in the energy efficiency cohort. Thus, including this project and breaking down these emissions by cluster as shown in table 3.2.3 of renewable energy and energy efficiency, it appears that energy efficiency projects have been the main driver within the cohort in terms of bringing about this level of performance. Renewable energy projects seem to have achieved less than half the emissions reduction/avoidance levels that were targeted, and other projects achieved only part of their expected target.

**FIGURE 3.2.8 DIRECT LIFETIME CO<sub>2</sub> EMISSIONS REDUCTION OR AVOIDANCE (KILOTONS)**



Building on these data on financing and CO<sub>2</sub> emissions 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

**TABLE 3.2.3 DIRECT LIFETIME CO<sub>2</sub> EMISSIONS REDUCTION**

PARAMETER	RENEWABLE ENERGY PROJECTS (N = 11)	ENERGY EFFICIENCY PROJECTS (N = 19)	OTHER PROJECTS <sup>a</sup> (N = 3)
Expected reduction (kilotons)	22,603	147,694	23,706
Actual reduction (kilotons)	10,465	225,846	17,605
Cost \$ per ton CO <sub>2</sub>	2.71	0.45	2.22
Cost \$ per ton CO <sub>2</sub> : GEF amt + cofinancing	7.02	2.13	7.60

a. Other projects = energy service companies, geothermal, carbon reduction/sequestration.

figure of \$0.67 per ton of CO<sub>2</sub> reduced or avoided, with the bulk of this achievement coming from energy efficiency projects, as indicated earlier. No cofinancing data have been used, given the findings in chapter 4.1 that much cofinancing is often directed at issues that do not contribute to achieve global environmental benefits.

**TABLE 3.2.4 EXPECTED AND ACTUAL COST-EFFECTIVENESS OF CO<sub>2</sub> EMISSIONS REDUCTION**

PARAMETER	EXPECTED	ACTUAL
Reduction (kilotons)	194,001.93	253,915.89
Cost per ton CO <sub>2</sub> (\$)	0.97	0.67

### RELEVANCE OF FINDINGS IN VIEW OF EVOLVING STRATEGIES

As mentioned, the cohort of projects reviewed through this assessment consists mostly of pilot phase, GEF-1, and GEF-2 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 GEF-4 on the promotion of the 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, among 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 has been demonstrated), and new convention guidance.

Building on all these variables, the latest evolution is the GEF-5 strategy, which focuses on six key objectives:

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.
6. Continue to support enabling activities and capacity building.

A number of these areas respond to recent UNFCCC guidance on climate change mitigation.

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, 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 adequate capacity and enabling environments, sufficient and sustained government commitment,

thorough understanding of the market potential and dynamic, and appropriate technological choices and pricing policies, to name the most common ones.

The GEF has performed better than expected in direct emissions reductions and cost-effectiveness (total cost per ton of CO<sub>2</sub>) in energy efficiency, has achieved less than half of intended emissions in renewable energy, and has partially attained emissions targets for other projects. Pilot phase 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 cofinancing and leverage to fulfill impact drivers.

On the basis of the available data, the energy efficiency cluster seems to be more cost-effective than the renewable energy in terms of total cost per ton of direct CO<sub>2</sub> emissions reduction or avoidance. Given the lack of uniform reporting, this hypothesis needs to be further tested.

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.

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

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 SCCF is relatively young. No independent evaluation of those funds is yet available. The exception in this area is the LDCE, which is the subject of an evaluation jointly undertaken by the Evaluation Department of the Danish International Development Agency (DANIDA) and the GEF Evaluation Office. The evaluation will be published in October 2009 and could shed light, in particular, on the processes and outcomes of capacity building leading to the development of the national adaptation programs of action (NAPAs); although here again, priority pilot projects emerging from these NAPAs are at a very early stage.

## CONVENTION GUIDANCE

### Strategic Priority on Adaptation

Within the GEF Trust Fund and climate change focal area, the GEF Council allocated \$50 million to support projects on adaptation that deal with global environmental benefits. As of the end of FY 2009, the Council had approved 22 projects totaling \$47.4 million from the GEF. About half of them are in the biodiversity focal area, 35 percent in land degradation, and 20 percent in international waters.

### Special Climate Change Fund

The GEF has responded to COP decisions to create the SCCF to finance activities in the following areas: (1) adaptation; (2) transfer of technologies; (3) energy, transport, industry, agriculture, forestry, and waste management; and (4) 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 three-quarters of the funding has gone to adaptation, for 27 projects; this was identified by the parties as the top priority. No projects (or funding) have been approved for projects in the fourth set of activities listed above.

## THE JOINT LDCF EVALUATION

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

As of the end of May 2009, the LDCF had received \$176.5 million. The fund has provided funding (\$2 million) for the preparation of 48 NAPAs (all LDC parties to the UNFCCC) through three GEF Agencies: UNDP (31), UNEP (15), and the World Bank (2). In addition, 26 NAPA priority projects were funded for a total of \$85 million, with indicative cofinancing of \$162.3 million.<sup>2</sup> At that point, only one project had reached implementation. Another four projects have received GEF Chief Executive Officer (CEO) endorsement and are with UNDP to begin implementation (all five projects are implemented

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2 During the June 2009 Council session, additional projects were approved: 29 of 48 LDCs have received at least one NAPA implementation project (3 countries have two projects and 1 has three projects).

by UNDP). The other 21 projects have received PIF endorsements, and the GEF Agencies are preparing the project documents for CEO endorsement.

The evaluation concludes that the GEF has fulfilled the UNFCCC request to set up a separate fund for LDCs, 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 an average of four years to prepare them. NAPAs are important statements of LDC needs for urgent and immediate adaptation actions. They have contributed at an early and critical stage to increasing awareness in LDCs of climate change adaptation challenges and priority adaptation needs. Some have become key government statements of adaptation needs.

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.

Following NAPA completion, it has taken an average of one year and four months (450 days) for priority PIFs to be approved by the LDCF: 320 days for the country and GEF Agency to prepare a PIF to be submitted to the GEF, 100 days for the PIF to be CEO endorsed, and 30 days for the PIF to be approved by the GEF Council. Since there have been very few projects actually approved by the Council, there are no available data on this. Each of these steps includes inputs from different actors from national governments, GEF Agencies, the GEF Secretariat, and the GEF Council. The COPs have requested that the GEF and its Agencies expedite the process. The 2006 LDCF Programming Paper (GEF 2006b) was intended to speed up planning and implementation of priority projects by

simplifying the application of the incremental cost principle (replaced by additional cost and sliding scales), review and approval of projects on a rolling basis, and 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.

The LDCF is addressing a complex subject, new to many of the actors involved in countries with poorly defined climate adaptive capacity.

The scale of the financial resources made available by contributory countries to the LDCF is insufficient when compared to the aggregate cost of addressing the priorities identified in the 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 LDCF-supported NAPA processes.

LDCs expressed strong support for the continuation of the LDCF but significant discontent with the lack of expeditious access to such 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, LDCs are not represented directly in the LDCF Council but through constituencies; they have little effective control over either decisions or the management of resources. Further, GEF Agencies have relied heavily on independent consultants rather than on public sector experts, reducing the possible institutional sustainability and public sector capacity development. There is limited clarity on how principles such as the sliding scale apply, contrasted with expectations of more expeditious access to funding.

The evaluation recommends to the UNFCCC parties that they should consider the future role and institutional arrangements of the LDCF given that its context 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.

The evaluation further recommends that the UNFCCC parties should convene a multistakeholder dialogue to review the requirements of reform of the LDCF 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 LDCF should take into account the reforms required and be sufficient to support whole NAPA programs, rather than individual project implementation.

To LDC 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 sector-wide approach programs and other sector investment programs. Furthermore, governments should support the establishment of strong national inter-institutional arrangements for adaptation planning so as not to lose the momentum gained from NAPA processes.

Development partner agencies should support LDC governments in implementing NAPA priority activities designed to maximize national capacity development and integration into development and policy reform, and should seek alignment of their development support with LDC adaptation priorities as expressed in NAPAs.

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. The timeliness and thematic breadth of the advisory support to the LDCF Secretariat needs to be strengthened. Recognition of the particular and diverse circumstances of LDCs should mean that better tailored procedures for expeditious project preparation and approval should be employed.

The LDCF 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 LDCs and other stakeholders can draw lessons and identify ways to improve adaptation delivery.

In order for the LDCF to play a complementary role to the other emerging climate change financing mechanisms, greater responsiveness and flexibility of procedures will have to be introduced.

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.

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

- 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.
- 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 generate 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 be able to deliver the specific financial and technical resources the different countries need.

- In countries with limited technical and human resource capacity, bottlenecks will occur in project preparation that will prevent the full benefits of adaptation considerations from being integrated into national policies and programs.
- The ability to monitor and track achievements and results needs to focus not only at the project level but also at the program level.
- The emergence of new funds for adaptation demands that the sequencing and synchrony of funds' objectives, targets, and duration are carefully considered to maximize coverage and impact.

## RESULTS-BASED MANAGEMENT AND TRACKING TOOLS

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 in the field and who in the Secretariat will have the time and expertise to develop the tools. These tracking tools would require a very substantial effort for collation, quality assurance, and analysis; this would need 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 now is to ensure sufficient resources during GEF-5 and to integrate indicators that derive from the progress from outcome to impact review into the tracking tools. The GEF Secretariat should be encouraged to put this type of activity high on its priority list for actual resources, and it should ask

the Council to approve what could be a substantial exercise. The tracking tools were developed through the hard work of many dedicated staff members; the next step should turn these into a tool — including indicators for progress toward impact — integrated into the results-based management system of GEF-5.

## 3.3 BIODIVERSITY

Preventing the loss of globally important biodiversity is one of the longer term goals of the GEF — and also 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 that are conducive to procreation, the results of which will not be immediately visible. This chapter presents 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

- The GEF has been responsive to Convention on Biological Diversity (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.
- Forty percent of the completed projects in the OPS4 cohort (62 percent of which were GEF-2 projects and 27 percent GEF-1 projects) have made strong progress toward global environmental benefits; 30 percent of the projects have made little or no progress. The remaining projects are between these two clear positions, having made some progress, but without establishing the means to continue this after project completion.
- Projects that show higher progress toward global environmental benefits demonstrate more specific attention in their 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, the private sector, and local communities after the project has terminated.

### Recommendations

- To reach the full potential contribution that GEF projects can make toward global environmental benefits, 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 to support the biodiversity strategy's focus on sustainable biodiversity conservation.
- However, the support of such actors cannot be guaranteed by any project. This suggests the value of a portfolio approach on the national level, which currently only exists 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 help recipient countries maximize progress toward global environmental benefits.

- **Based on emerging evidence on impact drivers essential for progress toward global environmental benefits, the GEF Secretariat should ensure that its tracking tools fully encompass this longer term perspective. The GEF 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. 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 toward impacts.**

**A**bout 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.

GEF support seems to have affected the biodiversity portfolio of the World Bank and UNDP in different ways. GEF support is a relatively minor component of World Bank lending in the environment and biodiversity sector (World Bank IEG 2008), and the GEF seems to complement major biodiversity-related loans and not drive country operations. The World Bank evaluation *Environmental Sustainability: An Evaluation of World Bank Group Support* (World Bank IEG 2008) 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 (Groupe-conseil baastel Itée 2008). These evaluations show that, in spite of the projects demonstrating mostly satisfactory achievements at completion, results five years afterwards reveal weaknesses.

The impact of the GEF on the UNDP biodiversity portfolio 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 (UNDP Evaluation Office 2008; UNDP-GEF 2008). In practice, the availability of financial resources from the 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.

An additional approach to impacts developed by the GEF Evaluation Office has been that of quasi-experimental evaluations of macrolevel 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 protected areas (GEF EO 2007d and 2009a). 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 that 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 (GEF EO 2006c). While 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

The GEF, as the operating entity of the financial mechanism of the CBD, provides financing to country-driven projects in accordance with GEF strategies in the biodiversity focal area. The GEF strategy is guided by COP 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. Many of the decisions are geared toward support of programs (protected areas, island biodiversity, etc.); others are in support of very specific projects, some responding to specific agendas of specific stakeholders and constituencies to the COP (e.g., Global Biodiversity Outlook, Biosafety Clearing-House Mechanism). An over-

view of COP guidance and the GEF response to it is incorporated in table 3.3.1.

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

Access to biosafety has not kept up with potential demand, given the number of national biosafety frameworks (NBFs) completed so far (110) and based on consultations with the CBD Secretariat and GEF focal points. The Cartagena Protocol is the only protocol for which the GEF is a financial mechanism. This arrangement is covered under the memorandum of understanding between the CBD and the GEF. Guidance to the GEF from the protocol is sent as part of the CBD COP guidance. According to the evaluation of GEF support to the Cartagena Protocol (GEF EO 2006a), the GEF has contributed to the speeding up of the ratification of the protocol and has promoted implementation processes. Furthermore, GEF support has been consistent with the protocol, although awareness-raising and participation efforts by different stakeholders have not been as broad as required.

The Biosafety meeting of the parties (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 GEF support to the implementation of the protocol, as the following examples indicate:

- Under the UNEP-GEF Development of National Biosafety Frameworks project that was approved in 2001, UNEP entered into subprojects with 123 countries to develop NBFs. So far, only 110 have posted an acceptable NBF on the UNEP biosafety Web site 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 the government.

**TABLE 3.3.1 CBD: COP GUIDANCE TO THE GEF DURING GEF-4 AND GEF RESPONSE**

GUIDANCE	GEF RESPONSE	COMMENTS
<b>BIOSAFETY</b>		
Support implementation of the protocol (COP8)	GEF Council approved the Strategy for Financing Biosafety, which prioritizes implementation of the protocol, in particular the Updated Action Plan for Building Capacities for the Effective Implementation of the Cartagena Protocol	GEF strategy (SP6) was approved as a response to the meeting of the parties (MOP) request
Assess impact of the RAF in implementation of the protocol (COP9)	Issue has been put forward to GEF Chief Executive Officer for consideration	GEF responsiveness during GEF-4 has been limited to the approval of 26 PIFs (potential value of \$25.6 million) for national biosafety framework implementation, but none of them have been approved by the Council
National reports (COP9)	Under consideration for GEF-5	None seem to have been approved in GEF-4
Support to Biosafety Clearing-House Mechanism (CHM) project (COP9)	Support under consideration	Support is under consideration; a PIF was recently approved (September 2009) to support 50 countries to participate in the 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 GEF-4	Eligible within GEF-4
Support to the following issues during GEF-5: 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
<b>ACCESS TO AND TRANSFER OF TECHNOLOGY</b>		
COP9: preparation of national assessments; improve access; capacity building under enabling activities; support to technologies and governance and regulatory frameworks	Under consideration for GEF-5	Agree
CHM	<ul style="list-style-type: none"> <li>■ Eligible in GEF-4</li> <li>■ 14 projects approved so far in GEF-4 that support country participation in CHM</li> </ul>	Agree

**TABLE 3.3.1 CBD: COP GUIDANCE TO THE GEF DURING GEF-4 AND GEF RESPONSE (CONT'D)**

GUIDANCE	GEF RESPONSE	COMMENTS
Biodiversity strategies (revision and implementation)	Eligible in GEF-4 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 national biodiversity strategy and action plans
<b>ECOSYSTEM APPROACH</b>		
Support to apply ecosystem approach	Eligible in GEF-4, most GEF-3 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 of the conceptual framework and methodologies of the Millennium Ecosystem Assessment (MEA)	A number of projects were supported in GEF-4 that use the MEA conceptual framework and methodologies at the subnational level (e.g., ProEcoServ project with site interventions in Chile, Vietnam, Trinidad and Tobago, South Africa, Lesotho, Mexico); projects at the subnational level that apply the MEA conceptual framework can operationalize and apply the framework in a more practical way, whereas at national or subglobal level, the assessments may tend to remain academic exercises	Agree
Private sector (engaging the business community in convention implementation)	Eligible in GEF-4, GEF has seen an increase in engagement	Not reviewed in OPS4
Global invasive species (financial support)	GEF-4 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: four national projects and two regional (Latin America and the Caribbean and the Pacific Islands)
<b>PROTECTED AREAS</b>		
Full implementation of program of work	Eligible in GEF-4 (three of the seven strategic programs are on protected areas)	At least 147 projects deal with Strategic Objective 1 (protected area) for about \$487 million
Specific issues: support to UNDP/GEF project (Supporting Country Action on CBD Protected Area); climate change links; protected areas remain a priority	<ul style="list-style-type: none"> <li>■ 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.</li> <li>■ Supporting project interventions that address building climate resilience of protected area systems was eligible in GEF -4 and will continue to be eligible in GEF-5.</li> </ul>	Not reviewed in OPS4

**TABLE 3.3.1 CBD: COP GUIDANCE TO THE GEF DURING GEF-4 AND GEF RESPONSE (CONT'D)**

GUIDANCE	GEF RESPONSE	COMMENTS
Island Biodiversity (support for implementation of work program and simplify GEF processes for small island developing states [SIDS])	<ul style="list-style-type: none"> <li>■ Eligible in GEF-4, programmatic approach for Pacific SIDS under implementation</li> <li>■ The GEF Secretariat offered to facilitate the development of a programmatic approach for the Caribbean, but this was not pursued by the countries</li> <li>■ In GEF-4, SIDS received support for 31 projects totaling \$82 million and benefiting 34 SIDS; 16 Caribbean SIDS received grants totaling \$42 million, covering 17 projects</li> <li>■ 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 the total project budget; 18 of the 47 countries funded by the project are SIDS (38%)</li> </ul>	<ul style="list-style-type: none"> <li>■ Agree on eligibility and on support for implementation of work program</li> <li>■ No changes in project procedures for SIDS other than the approval of a programmatic approach for the Pacific.</li> </ul>
2010 Biodiversity Targets	Eligible in GEF-4	All projects in the GEF are related to the targets
Fund Fourth National Report	Eligible in GEF-4	Agree: 6 projects approved to support third report
Taxonomy Initiatives (support of work program; support to taxonomy focal points)	Eligible in GEF-4	Not reviewed in OPS4
<b>OTHERS</b>		
CBD four-year framework of programme priorities program to be included in GEF-5	GEF will take into account when developing GEF-5 strategies	This is a good step forward from the CBD to facilitate the GEF in incorporating CBD guidance and priorities
Resource mobilization	The GEF has worked closely with the CBD on development of a Resource Mobilization Strategy; COP9 has adopted a strategy that calls for the GEF to consider how it will support it; the CBD Secretariat is elaborating this request	Agree
Information on the RAF	Included in GEF report to COP	Agree
Simplify, streamline project cycle	GEF project cycle revised	Agree

- As of the end of June 30, 2009, there have been 24 national-level projects approved by the GEF Chief Executive Officer (CEO) for the implementation of NBFs: 12 were approved in GEF-2, 11 in GEF-3, and 1 in GEF-4. Three regional projects have been approved, two in GEF-3 and one in GEF-4.
- Twenty-six PIFs have been approved in GEF-4 for NBF implementation projects, but have not yet reached the CEO approval stage.
- In all, 50 national-level implementation projects have been approved or are under preparation, leaving 73 countries still to develop NBF implementation projects.

Lower funding and implementation levels for biosafety may have been affected by the RAF, 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 internal national issues (e.g., 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 by country would have been kept separate from biodiversity, more projects could have been funded.

A new international regime for access to benefit sharing is under preparation, with the expectation that this will come into force sometime in 2010. The GEF has approved all access to benefit sharing projects that have been submitted to the GEF Secretariat in GEF-4 under Strategic Program (SP) 8 in the GEF-4 strategy. The GEF has signaled its support to the future international regime in the GEF-5 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 the GEF Council.

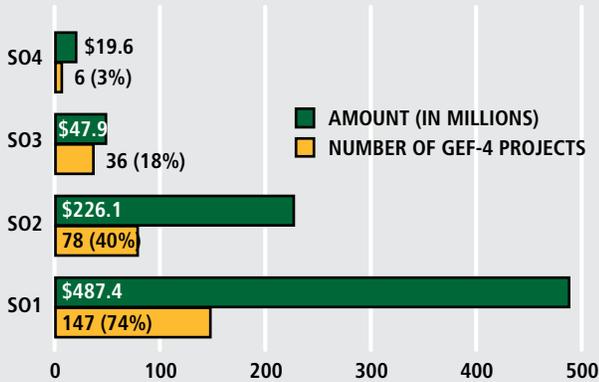
Recent figures from the GEF Secretariat indicate that, since 1991, the GEF has granted \$2.3 billion and leveraged \$5.36 billion to support implementation of 790 biodiversity projects in more than 155 countries (GEF 2009b). The same source reports that GEF funding has led to the creation or improved management of more than 1,600 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 in over 10,000 projects that are executed by indigenous and community-based organizations in over 100 countries. The GEF is undoubtedly the world's main financial entity for biodiversity conservation projects. The GEF has also been essential to global implementation of the Cartagena Protocol through support to the development of NBFs in 123 countries and for their subsequent implementation in pilot cases.

During GEF-4 (as of June 30, 2009), the GEF Council has approved 137 projects (\$409 million), 62 PIFs (\$112.6 million), and 50 multifocal area projects dealing with biodiversity (\$89.4 million). Support to protected area systems continues to be the largest allocation within the biodiversity focal area, with about 90 percent 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).<sup>1</sup> There are three strategic

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<sup>1</sup> Many of the projects respond to more than one strategic priority, so the percentages do not add to 100 percent.

**FIGURE 3.3.1 BIODIVERSITY: PROJECTS APPROVED FOR GEF-4 BY STRATEGIC OBJECTIVE**

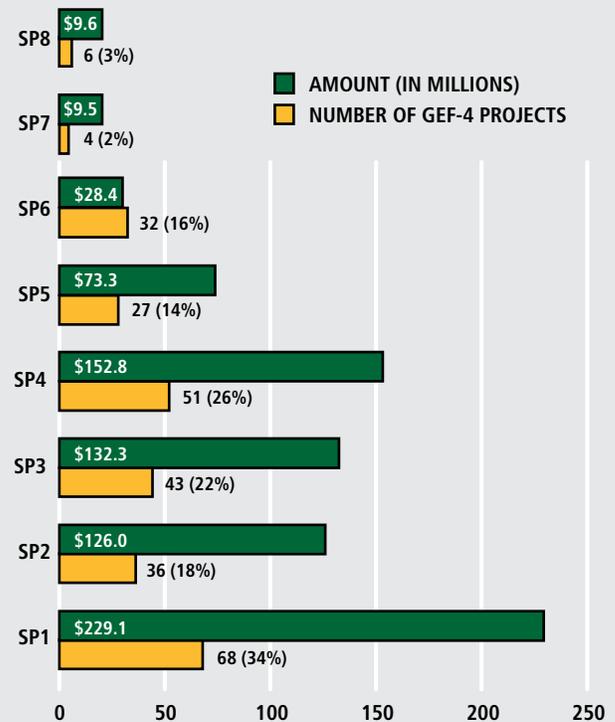


Source: GEF PMIS, through June 30, 2009.

- SO1: To catalyze sustainability of protected area systems
- SO2: To mainstream biodiversity in production landscapes/seascapes and sectors
- SO3: To safeguard biodiversity
- SO4: To build capacity and access on benefit sharing

priorities within the strategic objective of protected areas (figures 3.3.1 and 3.3.2), and about half of the funding has gone to supporting sustainable financing of protected area systems (SP1); approximately equal amounts have gone to marine and terrestrial protected areas (25 percent for SP2 and SP3). About 40 percent 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). Support to the Cartagena Protocol totals 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 protected areas

**FIGURE 3.3.2 BIODIVERSITY: PROJECTS APPROVED FOR GEF-4 BY STRATEGIC PROGRAM**



Source: GEF PMIS, through June 30, 2009.

- SP1: Sustainable financing of protected area systems at the national level
- SP2: Increasing representation of effectively managed marine protected areas in protected area systems
- SP3: Strengthening terrestrial protected area networks
- SP4: Strengthening the policy and regulatory framework for mainstreaming biodiversity
- SP5: Fostering markets for biodiversity goods and services
- SP6: Building capacity for the implementation of the Cartagena Protocol on Biosafety
- SP7: Prevention, control, and management of invasive alien species
- SP8: Building capacity on access and benefit sharing

(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

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.

In response to OPS2, the GEF developed strategic priorities to further sharpen the strategic focus of its operational programs. The strategic priorities for GEF-3 reflect the rich implementation experience, as well as studies and evaluations, of the decade-old portfolio. These 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 GEF-3 covered the following:

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

The rationale for GEF-3 strategic priorities remains largely unchanged; thus, the approach in GEF-4 emphasized continuity and was consistent with the recommendations from OPS3. Nevertheless, the experience gained during GEF-3 has allowed the

GEF to sharpen the focus of these initial objectives. GEF-4 focuses primarily on the first two strategic priorities listed 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 socioeconomic development. These are also the main contributors toward the CBD's 2010 targets. GEF-4 also includes some attention to the last two objectives, although the emphasis will remain primarily on protected areas and mainstreaming biodiversity.<sup>2</sup>

ROtI desk reviews were conducted for the OPS4 cohort of 116 biodiversity projects, of which 16 had to be excluded from the final analysis for various reasons.<sup>3</sup> 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 FSPs and MSPs and primarily included projects from GEF-1 and GEF-2, with a few projects from the pilot phase and GEF-3. Almost half of the projects were World Bank projects, with another 40 percent implemented by UNDP and 7 percent by

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

3 Data were insufficient to develop ratings for two projects; three projects had been canceled and a terminal evaluation was not available; one project was not rated due to being subjected to a field ROtI; 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.

UNEP; 4 percent of projects had joint implementation. Asia and Latin America and the Caribbean had similar portions of the cohort (around 30 percent each), while regional and Africa projects made up 17 and 18 percent, respectively. The Europe and Central Asia region accounted for 5 percent of projects, and there was one global project.

Table 3.3.2 summarizes the ratings of the ROTl process for the 100 projects. Within the biodiversity ROTl desk review cohort, 22 percent of projects had documented impacts within the lifetime of the project. This means the terminal evaluation included evidence of a change in biodiversity status. However, these projects were not necessarily on the path to producing global environmental benefits on a significant scale. Although the achievement of a long-term change, or impact, is an important step, it normally needs 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 toward global environmental benefits were identified between the GEF-1 and GEF-2 phases, or between FSPs and MSPs.

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 and global and regional capacity development. These areas are farthest from the situation in which direct progress toward impacts and global environmental benefits could be demonstrated. UNDP is strongly focused in the enabling and capacity development areas, slightly nearer to verifiable progress toward impacts and global environmental benefits 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 toward pure investment, they have an increasing opportunity to show clear linkages toward impacts and even global environmental benefits. Thus, the desk ROTl ratings in biodiversity, based on the Implementing Agencies’ own evaluation data, clearly show that, with regard to demonstrated progress toward impacts and global environmental benefits, the Agencies are performing precisely as would be expected on

**TABLE 3.3.2 DISTRIBUTION OF ROTl RATINGS FOR BIODIVERSITY COHORT (%)**

OUTCOME	INTERMEDIATE STATE				GRAND TOTAL	WITH IMPACT
	A	B	C	D		
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
<b>GRAND TOTAL</b>	15	32	41	12	100	
<b>WITH IMPACT</b>	5	10	6	1		22

Note: ■ = projects that can be described as making solid progress toward impact  
 ■ = projects that do not show such progress  
 ■ = projects that show promise to move forward, either because of highly successful outcomes or promising intermediary states; these will need additional inputs to ensure continued progress toward impact  
 ■ = projects with evidence of impact achieved at project termination

the basis of the prior allocation of responsibilities by GEF Council (table 3.3.3).

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 global environmental benefits have at least three main successfully met impact drivers:<sup>4</sup> stakeholder ownership and support, effective financial mechanisms, and adequate information flows. In addition,

4 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” (“The ROTI Handbook: Towards Enhancing the Impacts of Environmental Projects,” Methodological Paper #2, available on the GEF Evaluation Office Web site and the OPS4 CD-ROM).

such projects have appropriately addressed issues of scale.

Stakeholder ownership and support are 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 global environmental benefits 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

**TABLE 3.3.3 BIODIVERSITY PROGRESS TOWARD GLOBAL ENVIRONMENTAL BENEFITS 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)

**TABLE 3.3.4 BIODIVERSITY PROGRESS TOWARD GLOBAL ENVIRONMENTAL BENEFITS BY REGION**

REGION	NO PROGRESS	MEDIUM PROGRESS	STRONG PROGRESS	TOTAL
Africa	13	5	7	25
Asia	8	12	10	30
Europe and Central Asia	2	2	5	9
Latin America & the Caribbean	6	11	18	35
Total	29	30	40	99 (1 global)

important factor. At the local level, ownership can also develop when community socioeconomic 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 (GEF EO 2006c).

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.

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 facilitate efficient resource allocation and lead to improved decision making. Effective information sharing also contributes to building awareness and disseminating experiences.

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

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, sociopolitical, and economic circumstances in a geographic area. New threats can and sometimes do appear during the course of project implementation. Such threats include infrastructure development and changes in global commodity prices, which put 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.

Projects shown to be unlikely to contribute to global environmental benefits 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 the following:

- 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 reliance 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

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 to 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

Projects unlikely to contribute to global environmental benefits may fail to meet many of the same impact drivers and assumptions identified above. Fourteen percent 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 nonperforming projects include the following:

- 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 are absent
- Failed to address threats relevant to the attainment of objectives

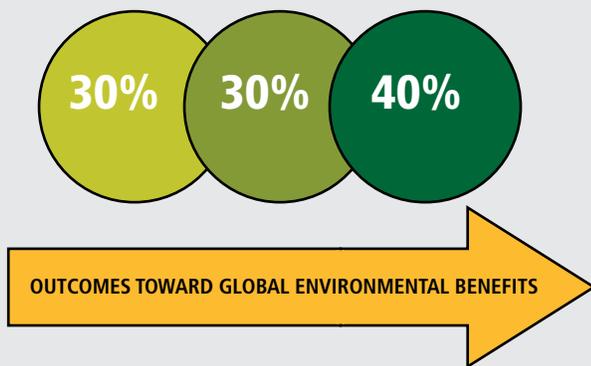
- Failed to assess risks to assumptions adequately in project design or during implementation
- Lack of understanding or failure to integrate the risk of political instability in some countries
- Sociopolitical issues not adequately addressed, or left to other actors

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 timeframe in which it is anticipated the replication or scaling up will take place.

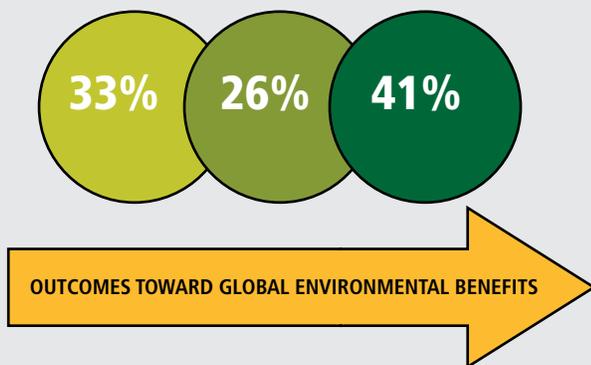
## PROGRESS TOWARD GLOBAL ENVIRONMENTAL BENEFITS

Forty percent of projects received ratings that show they have progressed toward intermediate states necessary to allow them to generate global environmental benefits (figure 3.3.3). 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 toward intermediate states and have thus made no progress toward 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

**FIGURE 3.3.3** PROGRESS TOWARD GLOBAL ENVIRONMENTAL BENEFITS IN BIODIVERSITY: PROJECTS



**FIGURE 3.3.4** PROGRESS TOWARD GLOBAL ENVIRONMENTAL BENEFITS IN BIODIVERSITY: FUNDING



reach the desired impact. However, the means and institutions to do this were not planned for or put in place by the project. These projects are therefore shown by the ROTI approach to have made only modest progress toward the achievement of global environmental benefits.

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 papers time and again. In this sense, the ROTI analysis does not reveal anything new. What is new, however, is that there is a better identification as to 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.

Terminal evaluations, which currently devote most of their attention to evaluating something that is already known (since nearly 90 percent 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 toward its stated long-term objectives.

## RESULTS-BASED MANAGEMENT AND TRACKING TOOLS

Biodiversity tracking tools were introduced in GEF-3 to measure progress in achieving the outputs and outcomes established at the portfolio level under the biodiversity focal area for the strategic objectives of catalyzing sustainability of protected area systems and mainstreaming biodiversity in production landscapes/seascapes and sectors. Given changes in the GEF's biodiversity strategy for GEF-4, slightly modified tracking tools for the strategic objectives of protected areas and mainstreaming biodiversity were developed. In addition, a new tool was developed for building capacity in biosafety. A tracking tool for the fourth strategic objective, access benefit sharing capacity building, has yet to be developed. Outputs and outcomes derived from the tracking tools from the GEF-3 and GEF-4 project cohorts, 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 the GEF Council on portfolio-level performance in the biodiversity focal area on an annual basis.

Part of the biodiversity tracking tool for protected areas, makes use the Management Effectiveness Tracking Tool (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 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 that could be useful as background information for impacts. Notably, there is a section that analyzes threats in detail and assesses how strong each is. However, the introduction to the tool 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.

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, the GEF should carefully analyze these relationships and augment findings gleaned from the METTs with an analysis that assesses the correlation between METT scores and conservation outcomes and impact.

Another section of the GEF tracking tool for protected areas is the Financial Sustainability Scorecard for National Protected Area Systems. This section is detailed and would provide very relevant information for assessing progress in maintaining the achievement of project results with regard to reducing the financing gap at the protected area system level.

All the data derived from the tracking tools for GEF's strategic objectives would require a very substantial effort to collate, provide quality assurance to, and analyze; 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 GEF-5 and to integrate indicators that derive from the progress from outcome to impact review into the tracking tools. The GEF Secretariat should be encouraged to put this type of activity high on its priority list for actual resources, and it should ask the 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 GEF-5.

## 3.4 INTERNATIONAL WATERS

This chapter discusses the international waters focal area, and includes a description of its historical development, the current relevance of the focal area to global environmental problems, key assumptions and drivers that ensure progress toward impact, and an assessment of the progress made regarding the global environmental benefits toward which it is aiming. The relevance of findings for GEF-5 is briefly explored; the chapter also looks at focal area tracking tools.

### Conclusions

- 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 this 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 implementation of several existing agreements, thus helping 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 and other stresses (such as overfishing) in many international water bodies.
- 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, and (3) a robust understanding of ecosystem services through the development of scientifically sound transboundary diagnostic analyses (TDAs).
- 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.
- The absence of baselines and difficulties in obtaining monitoring data make it more difficult to determine long-term international waters project impacts.

### Recommendations

- 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 OPS4 findings.
- Projects that 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. The GEF could continue to support countries willing to move forward while looking for ways to include the remaining countries.
- 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.

- 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.

**T**he 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.<sup>1</sup> They are

- to foster international, multistate 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.

The 1995 GEF Operational Strategy defines the kinds of transboundary concerns to be addressed under the international waters focal area and recognizes links between this focal area and Agenda 21 (specifically, 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 freshwater and marine/coastal basin systems that are subject to GEF interventions.

The GEF portfolio extends to nearly all GEF-eligible large catchments and large marine ecosystems. The portfolio includes 172 projects that have together utilized \$1.1 billion from the GEF Trust Fund. One

hundred and fifty-four 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.

Because the GEF does not follow guidance from conventions in international waters, it has developed the focal area’s full strategy itself. In the other GEF focal areas, the main aim is to support countries in implementing the obligations of the conventions in national policies and strategies leading to global environmental benefits. In international waters, the important first steps in the overall strategy are the transboundary diagnostic analysis and the strategic action program (SAP) to create a basis for international cooperation, hopefully leading to binding agreements among 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 — of investment and scaling up.

Cross-border challenges addressed through the GEF international waters portfolio include land-based sources of water pollution, POPs, hazardous substances, loss of critical habitats and biodiversity, ship waste and alien species, overuse and conflicting

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<sup>1</sup> The GEF international waters strategy can be found on the GEF Web site at [www.thegef.org/gef/node/1296](http://www.thegef.org/gef/node/1296).

uses of surface and groundwater, integrated water resource management, overharvesting of fisheries, and adaptation to climatic fluctuations (e.g., associated droughts, floods, sea level rise, reef bleaching). This is a wide array of challenges which overlaps with virtually all the other GEF focal areas.

Until 2006, there were three international waters operational programs (water body, integrated land and water multiple focal area, and contaminant). These programs were essentially a catch-all for the various international waters interventions, and were criticized as being opaque and of little help in defining GEF objectives. A more programmatic approach was developed in 2006, replacing the operational programs with four strategic programs:

- Restoring and sustaining coastal and marine fish stocks and associated biological diversity
- Reducing nutrient overenrichment and oxygen depletion from land-based pollution of coastal waters in large marine ecosystems consistent with the UNEP Global Programme of Action for the Protection of the Marine Environment from Land-Based Activities
- 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

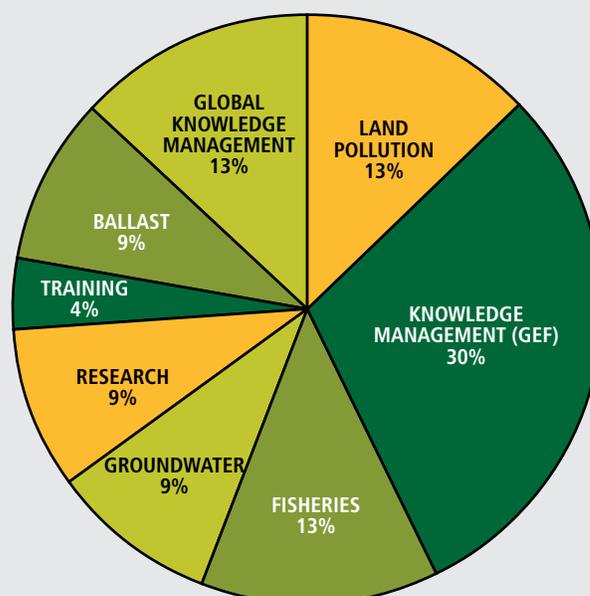
The refinement of strategies from operational program to strategic program has helped clarify the portfolio with respect to the type of water resource problem being addressed. However for the purposes of this analysis, a different segmentation has been used, dividing the majority of projects focused 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

The international waters work of the GEF remains highly relevant (figure 3.4.1).

The role that the GEF international waters focal area has played in assisting countries in implementing **integrated coastal zone management** and to control coastal pollution and erosion remains critical. The GEF multilevel 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. This three-phased support structure provides a good foundation for coping with current and future coastal threats.

**FIGURE 3.4.1 DISTRIBUTION OF THE INTERNATIONAL WATERS PORTFOLIO BY PROJECT FOCUS**



Source: GEF PMIS, through June 30, 2009.

Integrated coastal zone management is a powerful tool for helping countries address environmental challenges at both the local and national levels, yet because of global interdependencies (such as global trade), 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.

**Coastal fisheries** have been crashing worldwide, including depleted cod in the North Atlantic, bluefin tuna in the Mediterranean, and sturgeon in the Caspian Sea. Coastal fisheries are a major and expanding emphasis for the GEF. A recent survey of the world's fisheries experts estimates that, while marine fisheries provide 15 percent of animal protein for humans, "80% of the world's fish stocks are either fully exploited, overexploited or have collapsed."<sup>2</sup> Efforts to better manage coastal fisheries are especially targeted toward African large marine ecosystems and small island developing states 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.

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.

The GEF has increased its support to assist countries that share **transboundary aquifers**. There are now five aquifer projects under implementation, and two groundwater governance projects under

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2 Mora et al. (2009); the survey included responses from 1,188 fisheries experts from every coastal country.

consideration. 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.

The global redistribution of species provides a serious challenge in places where **invasive species** diminish resource availability and damage biodiversity. The GEF, through its GloBallast projects<sup>3</sup> and many TDA-SAP projects, aims to reduce invasive aquatic species risks.

## REVIEW OF PROGRESS TOWARD INTERNATIONAL WATERS IMPACTS

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.

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

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3 The Global Ballast Water Management Programme (GloBallast) — a joint initiative of the GEF, UNDP, and the International Maritime Organization (IMO) — helps developing countries reduce the transfer of harmful aquatic organisms and pathogens in ships' ballast water, implement IMO ballast water guidelines, and prepare for the new IMO ballast water convention.

global environmental benefit which hopefully will follow. More than in other focal areas, the long-term effects of projects often take 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 it 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.

Table 3.4.1 summarizes the ratings of the ROTi process for the cohort of 23 projects. An important consideration is that foundational projects are the starting point of a process to set up the conditions to address transboundary environmental concerns. At this early stage of the process, projects are not expected to generate impacts, and there are uncertainties regarding the likelihood of the initiative to move toward impacts.

The six projects that obtained a positive score for impact during their lifetime — mainly on the

basis of stress reduction achieved — 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 had scored a B for progress toward intermediate states, the highest score obtained by any. Of the eight projects that do not show promise, seven were not designed specifically for impacts but as 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 toward global environmental benefits also promote the early achievement of impacts.

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 recurring risks and assumptions mentioned in the international waters catchment projects follows:

- The assumption that participating countries will act on policy and management

**TABLE 3.4.1 SUMMARY OF ROTi RATINGS FOR INTERNATIONAL WATERS COHORT (NUMBER OF PROJECTS)**

OUTCOME	INTERMEDIATE STATE				GRAND TOTAL	WITH IMPACT
	A	B	C	D		
A	0	6	6	0	6	4
B	0	2	6	0	8	1
C	0	1	3	5	9	1
D	0	0	0	0	0	0
GRAND TOTAL	0	9	9	5	23	6
WITH IMPACT	0	6	0	0	6	

Note: ■ = projects that can be described as making solid progress toward impact  
 ■ = projects that do not show such progress  
 ■ = projects that show promise to move forward, either because of highly successful outcomes or promising intermediary states; these will need additional inputs to ensure continued progress toward impact  
 ■ = projects with evidence of impact achieved at project termination

recommendations from the project is juxtaposed against the risk that conflicting use demands among 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 scaling up.
- 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.

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.

Of the 14 foundational projects, 8 are considered likely to lead to the achievement of stress reduction and status change impacts,<sup>4</sup> while 6 of the 7

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4 The UNDP-implemented foundational project, Implementation of the Strategic Action Programme of the Pacific Small Island Developing States (GEF ID 530), was a two-part effort, with one part addressing fisheries, and the other community-based coastal protection. The two parts had different evaluations

implementation/demonstration projects are considered likely to do so. The higher expectations that implementation and demonstration projects will yield impacts are logical for two reasons:

- As noted in the discussion on the sequencing and clustering of projects, many of the demonstrations build on previous, or concurrent, foundational projects. This is the case, for instance, in the demonstrations occurring in the Danube/Black Sea basin.
- Most project documents and logframes of international waters projects that were completed during GEF-4, particularly the foundational TDA-SAP projects, lacked water quality baseline data at their inception. As a consequence, there are insufficient data to gauge changes. Without baselines and monitoring evidence, impact results tend to skew toward demonstration projects which report estimated pollution reductions. So progress toward impact is easier to discern in the agriculture pollution project in Romania (GEF ID 1159), for example, as it yielded estimates of the annual reduction in nutrient loading as a result of on-farm techniques put in place.

Previous international waters program studies carried out in 2001 and 2004 focused attention on the TDA and SAP as important tools to deliver transboundary global benefits (Bewers and Uitto 2001; GEF OME 2005). As noted in the TDA-SAP training course documentation, 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” (UNDP and MarCoPol 2005, p. 5). The TDA is supposed to provide a clear, science-based modus

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and different outcomes. Progress toward transboundary stress reduction impacts are likely in the fisheries component, and moderately unlikely in the community-based portion.

operandi for GEF projects to meet their objectives. Once a TDA has been developed, the participating countries develop a SAP. The SAP constitutes a negotiated policy document setting clear priorities for action and milestones to resolve priority shared problems identified in the TDA.

The international waters portfolio includes 33 projects designed to develop TDAs and/or SAPs, including several (in the Benguela Current Large Marine Ecosystem, 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 projects constitute an investment of \$315 million in GEF funds, with an estimated \$663 million in cofinancing. The portfolio of TDA-SAP projects is weighted toward Africa (43 percent), and toward transboundary river systems (49 percent). UNDP has been the lead Implementing Agency on these 33 TDA-SAP projects, managing 17 and comanaging 6 more.

There are seven TDA-SAP projects in this GEF-4 cohort. Of these, five were considered as having less likelihood of global environmental benefit 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 toward impacts was considered less likely if countries in the basin were not involved in the foundational TDA-SAP project (for instance, Bolivia and Paraguay were 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).

Spanning the consideration of risks, assumptions, and impact drivers is the matter of country ownership. Ideally, country ownership is ensured 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. Country ownership is variable across the international waters 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. This points up a common concern: even though countries sign 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.

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, international waters projects may focus on a particular pollution threat that 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, for 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 to this view. 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. The differences in the priority that countries give to specific trans-boundary environmental concerns underscore the importance of GEF support to help countries find a common ground.

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 among ministries of environment, irrigation, agriculture, health, natural resources, ports, and armed forces (especially the 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 (those developing TDAs and SAPs) to include the formation of interministerial

### BOX 3.4.1 EVIDENCE OF SHORT-TERM IMPACT

*The Lake Victoria project succeeded in over 80 percent removal of hyacinth in targeted areas and improvement of one wastewater treatment system, with evidence of reduced pollution loading. Stresses on the system remain, however. 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. The GEF is now implementing a third project with the relevant riparian countries, expanded to include Rwanda and Burundi.*

*PEMSEA (Partnerships in Environmental Management in the Seas of East Asia) 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 and 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 initiative included 21 demonstration projects providing on-farm management measures which are projected to reduce nutrient loading by an estimated 238,000 kilograms of nitrogen and 13,000 kilograms of phosphorus. 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 hectares 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 percent decrease in nitrogen and 27 percent decrease in phosphorus discharge into surface and groundwaters in the demonstration areas and an expectation of high replication and follow-on third-party finance. These can be considered as contributing to the status impacts identified for the Danube project.*

committees. The formation of such committees and the development of national plans are supposed to help deliver real policy and practice changes as a result of regional agreements and SAPs. The results of these efforts need to be gauged through subsequent impact evaluations.

**Project start-up and completion** can weigh on the achievement of global environmental benefits. As projects take longer, basic assumptions can change, staff turnover can have a greater impact, and various socioeconomic external drivers can 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 international waters cohort included the following:

- Rio de la Plata/Maritime Front (GEF ID 613): 8 years versus 4 years planned
- Lake Manzala Wetlands (GEF ID 395): 10 years versus 5 years planned
- PEMSEA (Partnerships in Environmental Management in the Seas of East Asia; GEF ID 597): 8 years versus 5 years planned

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 one- to two-year extensions given to projects such as the Danube, Black Sea, GloBallast, and others, 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.

**Adaptive management** is a key aspect of international waters programming and project

implementation, and a major factor in the consideration of progress toward 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 ecosystems and likely system responses. For example, the Danube project was recrafted to contribute to implementation of the EU Water Framework Directive. The river basin management and roof reports, which were supported by the GEF project, are implementation plans for the directive. 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.

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 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 the C level. No projects were rated as not achieving outcomes. The ratings for progress toward intermediate states (as defined by indications of catalytic impacts and evidence of localized stress reduction), are distinctly in the BC level. Bringing the two sets of ratings together yields the breakdown of achievements.

An important aspect of the international waters focal area is its strategic emphasis on outcomes at the catchment (defined as the area drained by a river or body of water) 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 the 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. In the international waters portfolio, 87 percent of projects (149 of 172) can be considered as catchment oriented, including all projects identified as regional and country-specific projects.

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.<sup>5</sup>

Recognizing the international and transboundary nature of the GEF international waters strategy, the definition of impacts used here is 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, five additional projects demonstrated stress reduction. This recognizes that these have provided substantial transboundary stress reduction.

In total, there are 23 **global projects** in the international waters portfolio, utilizing \$77.6 million 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 \$18.5 million in expenditures from the GEF Trust Fund, generating \$8.5 million in cofinance. Included in this knowledge management cluster is IW:LEARN, the three-project (soon to be four-) series designed to promote knowledge management and capacity building within the international waters focal area.

With just two global projects in this cohort, an analysis of trends and tendencies is pointless. 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 discernible global environmental benefit impacts, and impacts are exceedingly difficult to trace.

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 6 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.

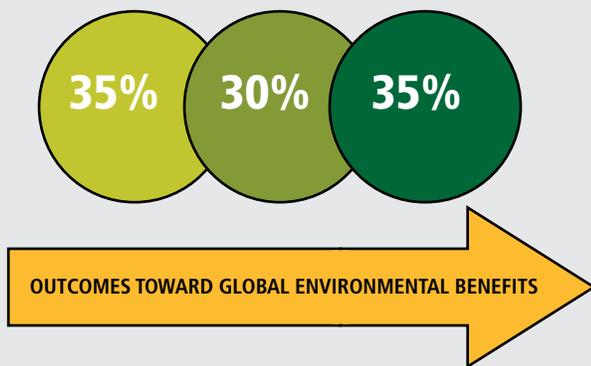
## PROGRESS TOWARD GLOBAL ENVIRONMENTAL BENEFITS

Assessing these results on a project basis, figure 3.4.2 illustrates the strength of progress toward global environmental benefits. A full 35 percent of projects have made strong progress toward their intended global environmental benefits, with a further 30 percent having made moderate progress, which will require the development of further impact drivers. Most of the remaining 35 percent

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

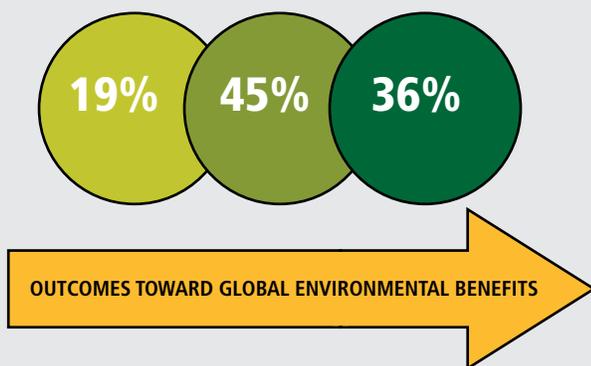
**FIGURE 3.4.2** PROGRESS TOWARD GLOBAL ENVIRONMENTAL BENEFITS IN INTERNATIONAL WATERS: PROJECTS



are in an early stage of the process; thus, it is too early to tell to what extent they are likely to progress toward global environmental benefits. One project seemed unlikely to contribute toward delivery of the intended global environmental benefits.

Figure 3.4.3 shows progress by the amount of money spent on the projects in the cohort. Projects for which no progress toward global environmental benefits was yet assessed have absorbed

**FIGURE 3.4.3** PROGRESS TOWARD GLOBAL ENVIRONMENTAL BENEFITS IN INTERNATIONAL WATERS: FUNDING



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 global environmental benefits. This middle zone in the international waters portfolio is susceptible to divergent trends. On the one hand, the phased approach in GEF international waters activities may mean that support will continue after the terminal evaluation stage, providing the opportunity to develop the necessary impact drivers, which will move the project toward the target global environmental benefits. On the other hand, it is also often noted that the TDA 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

The international waters focal area has been consistent over time in its phased, catchment-level approach, which is sound in principle and is leading toward global impacts. Throughout the first four GEF replenishment cycles, there has been a quite consistent approach taken by the 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 multiphase, multiproject clusters that build from foundational activities to demonstration, replication, and investment support.

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 toward 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.

The GEF has been instrumental in promoting new international and regional agreements on trans-boundary 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 (International Maritime Organization Global Ballast Water). The 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.

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 toward replication and catalyzing national and other donor support.

Relevance to national priorities is a key predictor of impact achievement. Projects that are highly relevant to national priorities are logically more likely to be replicated and serve as a catalyst for increased national financial support. This tends to skew impact ratings in favor of national rather than 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 toward impacts.

A robust understanding of system boundaries greatly improves the chances of achieving global impacts. The GEF international waters approach of pushing the development of scientifically sound 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.

The absence of baselines and difficulties in obtaining monitoring data are major impediments to determining international waters 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; 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.

Progress toward global environmental benefits may be difficult to discern during the concluding months of international waters 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 levels are required. The ROTI provides a useful tool to consider progress toward global environmental benefits. However, due to the catchment basin clustering of projects in international waters and the large array of contributing factors, it is sometimes difficult to assess the achievement of progress toward global environmental benefits from desk reviews of single projects, based on terminal evaluations at project conclusion. To gauge achievements accurately, it will be important to carry out ex post impact evaluations at the catchment level.

## RESULTS-BASED MANAGEMENT AND TRACKING TOOLS

The GEF Secretariat has developed and recently adopted tools for project tracking. These tools include indicators of stress reduction 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 the laws have 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.

An additional point of debate regarding the tracking tools is the listing of status indicators, which include broad environmental, water resource, and socioeconomic 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.

However, in principle, the tracking tools could contribute substantially toward better monitoring, especially at the portfolio level. At the GEF 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 the GEF Council to approve what could be a substantial exercise. The tracking tools were developed through hard work by many dedicated staff members; the next step should turn these into a tool — including indicators for progress toward impact — integrated into the results-based management system of GEF-5.

## 3.5 OZONE-DEPLETING SUBSTANCES

The ozone layer depletion 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 (GDP), among other factors. On the qualitative side, the evaluation is based on four country case studies, 10 “light” country case studies, semistructured 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 Evaluation Office Web site ([www.gefeo.org](http://www.gefeo.org)).

### Conclusions

- GEF support for the phaseout of consumption and production of ODS in countries with economies in transition (CEITs) has made a contribution to global environmental benefits.
- Legislative and policy changes supporting ODS phaseout provided a foundation for success and ensured sustainability.
- The private sector commitment to ODS phaseout was a critical driver for the success of the GEF investments in CEITs.
- Illegal trade threatens to undermine gains in ODS reduction, particularly in the non-European Union (EU) CEITs.
- Halon recovery and banking has been neglected in the non-EU CEITs.
- In some countries, the national ozone units ceased to function after GEF support ended; this may prevent measures being put in place to address the remaining threats to the ozone layer.

### Recommendations

- The GEF Council should consider further investment and capacity development to assist CEITs to address the remaining threats to the ozone layer.
- The GEF should learn from the positive private sector engagement in the ozone layer depletion focal area and incorporate similar approaches into its efforts to engage the private sector in other focal areas.

- **Non-EU CEITs should consider making improvements in the implementation of legislation, policies, and standards on all aspects of ozone layer protection.**
- **Existing efforts to prevent illegal trade of non-EU CEITs need to be further strengthened.**
- **Non-EU CEITs need to take further action to manage and bank halon.**

The ozone layer is part of the Earth's atmosphere and contains high concentrations of ozone. This layer absorbs approximately 93 to 99 percent 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 50 kilometers above the surface of the Earth.

The ozone layer can be destroyed by free radical catalysts such as nitric oxide, hydroxyl, atomic chlorine, and atomic bromine. While there are natural sources for these ozone-depleting substances, 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.

The environmental effect of ODS was first observed in the mid-1980s over the Antarctic stratosphere, where ozone levels dropped by up to 60 to 70 percent of their pre-1975 levels. In the mid-latitudes, ozone levels have dropped by approximately 3 to

6 percent. The consequences of ozone depletion are increases in ultraviolet-B 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; and 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.

It was primarily the impact on human health and crop production of a damaged ozone layer that led to intergovernmental 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 these aimed to gradually phase out ODS production and consumption.

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.

The GEF focuses on providing support to developed countries of the Montreal Protocol, specifically CEITs that are not eligible for funding under the Multilateral Fund of the protocol, which targets only developing countries. Since the early 1990s, the GEF has allocated nearly \$183 million to 18 countries, through 21 national and 5 regional projects.

## EVALUATION DESIGN AND METHODOLOGY

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 whether the theory of change approach had accurately described the process; before and after measures of ODS consumption and production in CEITs to support internal comparisons; and an external comparison with a matched sample of Multilateral Fund-supported countries.

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 logframe as they were developed between 10 and 15 years ago, when logframe analysis was not a GEF requirement. Consultations were held with the GEF Secretariat, Implementing Agency staff, evaluation offices, and national government stakeholders and enterprises. The function of the consultation was to provide an opportunity for stakeholders to provide input at an early stage prior to the theory of change being applied and tested in the field case study approach.

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.

In the absence of available control groups for an experimental or quasi-experimental design, before and after measures of consumption and production of CEITs were undertaken. In addition, four Multilateral Fund countries were examined to compare ODS consumption and production (sourced from the UNEP Ozone Secretariat) and cost-effectiveness with a matched set of CEITs.

The evaluation team conducted in-depth interviews using standardized, semistructured 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 phaseout, compared with a business-as-usual approach where ODS consumption and GDP increased together. A cost-effectiveness analysis was undertaken to compare World Bank and UNDP-UNEP project performance.

A number of limitations constrained the impact evaluation of ODS phaseout:

- Annual data relating to ODS consumption by CEITs and the Multilateral Fund comparison group countries were incomplete. 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 Multilateral Fund countries, since these substances showed more consistency in annual reporting. This

limitation was not serious because CFC and halon are among the most ozone-depleting substances 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 of ODS phaseout. Two main obstacles prevented such an analysis. First, the consumption data were incomplete, as mentioned above; and second, 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 cofinancing available in the GEF database are not always consistent with data obtained from implementation completion reports of the World Bank and UNDP-UNEP project documents. Where possible, actual disbursements have been used for external and internal comparison of ODS phaseout activities in the ODS consumption sector.

## FINDINGS FROM THE ROTI ANALYSES

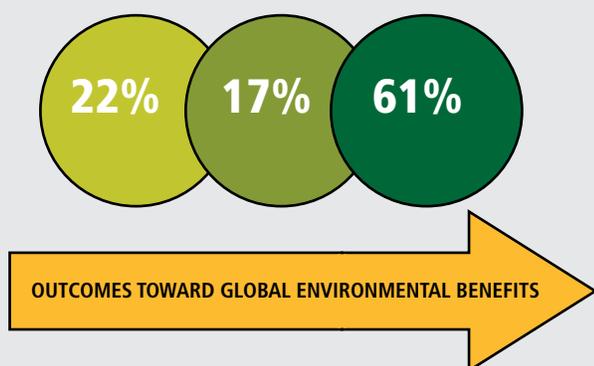
To provide comparability with other GEF portfolios, a desk ROTI analysis was also undertaken for each project, on the basis of existing terminal evaluations or information recently gathered by the GEF Evaluation Office fieldwork for a set of projects for which the terminal evaluation process had been delayed. It should be noted, however, that most of these projects were not formally in the OPS4 cohort, since they either had no completed terminal evaluation, or the terminal evaluation 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.

The ROTI analysis shows that the projects in the ODS portfolio performed very well in terms of their progress toward global environmental benefits. This is related both to the overall high performance of this portfolio — for reasons analyzed in the full impact evaluation and summarized here — and to the fact that several projects were reviewed some years after completion (although they did not yet have a terminal evaluation), 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.

Although funding has primarily gone to projects with strong progress toward global environmental benefits, 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 toward global environmental benefits in the non-EU CEITs.

In terms of achieved project impacts, 19 out of 21 projects had achieved this level. Of these projects, eight had an A rating at the outcome level, five had a B, and six a C. This suggests that even those projects that are somewhat slow in reaching their outcome objectives may be able to catch up after closure and move toward global environmental benefits, as long as they receive national government commitment. At the level of progress toward 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; more than 80 percent of funds had been spent on projects with ratings on progress toward intermediate states of A or B. This shows that the funds reached projects with good prospects of achieving global environmental benefits in the medium term, even though they

**FIGURE 3.5.1** PROGRESS TOWARD GLOBAL ENVIRONMENTAL BENEFITS IN ODS: PROJECTS



had not necessarily produced strong outcomes by the time GEF funding ceased. This is explained 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.

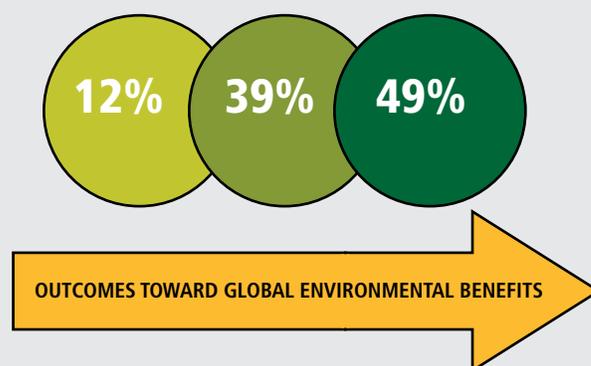
The ODS impact evaluation allowed for a comparison between desk and field ROTIs in one country. The outcome ratings for desk and field ROTIs were similar.

## CONCLUSIONS AND RECOMMENDATIONS

**Conclusion 1: GEF support for the phaseout of consumption and production of ozone-depleting substances in CEITs has made a contribution to global environmental benefits.**

The CEITs had a baseline consumption of about 304,000 ozone-depleting potential (ODP) tonnes in 1986, amounting to 17 percent of the global total. Much of this consumption was reduced significantly by the early 1990s because of the poor economic conditions following the collapse of communism.

**FIGURE 3.5.2** PROGRESS TOWARD GLOBAL ENVIRONMENTAL BENEFITS IN ODS: FUNDING



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 ODS production and consumption. The assessment of the relationship between GDP and ODS consumption 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:

### ■ Impact Driver 1: Government commitment to ODS phaseout

- 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, both of 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 ODS phaseout**

- 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.
- Of the 71 firms visited and surveyed, 54 of them were still solvent as of 2009.

The CEITs' consumption changed from about 21,000 ODP tonnes in 1996 (1.2 percent of the global baseline) to 1,665 ODP tonnes in 2007 (0.1 percent of the global baseline). The GEF portfolio contributed to the elimination of about 19,260 ODP tonnes of annual consumption and to 1.1 percent of the global benefit to the ozone layer. The Russian Federation was the only one of the CEITs still producing ODS at the time funding commenced. Under a special initiative within the project investment, the GEF contributed to the phaseout of nearly 29,000 ODP tonnes of production capacity.

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 those of UNDP-UNEP. This result was not surprising given that the World Bank focus was on CEITs that 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 tonne than the World Bank's: \$37 versus \$12.

- **External Comparison:** The GEF operations in the Russian Federation, Ukraine, Kazakhstan, and Uzbekistan were compared to those of the Multilateral Fund in four matched countries — Brazil, Egypt, Romania, and Cameroon — on the basis of GDP and ODS consumption. In general, GEF operations were less cost-effective than those of the Multilateral Fund (\$14.45 for each ODP kilogram phased out, compared to the Multilateral Fund's \$8.55), because GEF projects did not always adhere to incremental financing. However, in terms of efficiency of expenditure, the GEF averaged 35.31 ODP grams per year per dollar of expenditure, compared to 9.54 for the Multilateral Fund, meaning that the GEF was over three times more efficient at implementing its projects. Differences here are attributed to project approach — mostly single projects for the GEF and multiple projects for the Multilateral Fund.

The ODS consumed by the CEITs in 1996 also produced approximately 147 million tonnes of CO<sub>2</sub>eq per year, falling to 42 million tonnes of CO<sub>2</sub>eq per year in 2007. The GEF portfolio contributed to avoided GHG emissions equivalent to approximately 105 million tonnes of CO<sub>2</sub>eq per year, or 1.155 gigatonnes of CO<sub>2</sub>. This is equivalent to approximately 10 to 25 percent of the total CO<sub>2</sub> phaseout commitments under the present Kyoto Protocol.

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**Conclusion 2: Legislative and policy changes supporting ODS phaseout provided a foundation for success and ensured sustainability.**

The evaluation found that such measures as legislative and policy changes to restrict import and export of ODS, import bans, mandated 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 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.

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 ODS consumption exceeding Montreal Protocol limits for many years. Since projects have been completed in the non-EU CEITs, institutional capacities have diminished, with insufficient focus on updating legislation to address emerging issues such as the hydrochlorofluorocarbon (HCFC) phaseout which was recently accelerated in developed countries in 2007 by the parties to the Montreal Protocol.

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**Conclusion 3: The private sector commitment to ODS phaseout was a critical driver in the success of the GEF investments in CEITs.**

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 subproject investments with the private sector, which provided cofinance, were efficiently executed and contributed to the rapid phaseout 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 received investment from the GEF and found that 13 were still going concerns (i.e., in business) in 2009. The companies reported that GEF finance was relevant and assisted in providing new technologies that enabled conversion to non-ODS production and achievement of phaseout targets. 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 helping companies remain competitive and profitable, as well as phasing out CFC use. Hence, the investment was good for profits 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, enabling growth and thereby 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 phaseout targets, with 26 of the surveyed companies remaining as going concerns in 2009. Some reported that 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; the majority of this equipment was still in use nearly 10 years later. The companies reported that the quantity of ODS recycled and reused was falling, as old ODS-based equipment had been replaced with non-ODS alternatives, indicating positive changes in market and consumption patterns.

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.

Macroanalysis of the results in some of the CEITs showed that financing the phaseout 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 for the environment.

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**Conclusion 4: Illegal trade threatens to undermine gains in ODS reduction in the non-EU CEITs.**

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.

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.

The parties to the Montreal Protocol have agreed to three times as many decisions in the last 8 years on ways to combat illegal trade as they had in the previous 12 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 problematic, as procedures and responsibility for monitoring such shipments are less well defined than for single-country destinations.

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**Conclusion 5: Halon recovery and banking has been neglected in the non-EU CEITs.**

Halon is an ODS used in firefighting agents. Its production has ceased globally because of its severe ozone-depleting properties; it destroys about six times more ozone than CFCs. Globally, halon has been decommissioned from many installations where a suitable alternative exists, and the used halon has been stored for firefighting 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.

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 of 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 Russia 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 program 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 program.

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**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.**

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

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 that were established to manage, reduce, and phaseout ODS. Kazakhstan had a unit that was funded by external contracts rather than the central budget; Ukraine and the Russian Federation had no identifiable ministry staff

who 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 in only one being funded so far. As a result, the national ozone units in the non-EU CEITs reported difficulty in completing the tasks assigned by the Implementing Agencies.

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

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 them. Prolonged storage in decentralized facilities increased the risk of disappearing benefits, as the substances leak out of storage containers or are dumped by private sector stakeholders. Over time, this will undermine the work that has been undertaken by servicing companies.

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**Recommendation 1: The GEF Council should consider further investment and capacity development to assist CEITs in addressing the remaining threats to the ozone layer.**

Three threats remain to be mitigated: illegal trade in ODS, phaseout 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 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 national ozone units and customs authorities to function more effectively; this may include further support to update legislation and policy, ODS and non-ODS refrigerant detection equipment, and training and technical assistance to improve enforcement to reduce illegal trade in ODS

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 — because ODS is both ozone depleting and global warming. Furthermore, destruction of ODS would create synergies with the ongoing efforts to safely destroy POPs stockpiles in many of the CEITs. There may be opportunities for the GEF to finance development of joint ODS-POPs destruction facilities.

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**Recommendation 2: The GEF should learn from the positive private sector engagement in the ozone layer depletion focal area and incorporate similar approaches into its efforts to engage the private sector in other focal areas.**

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.

Some lessons for consideration identified by the evaluation include the following:

- 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 that best align the 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 and technical and political skills, as the work in the ODS portfolio demonstrated that private enterprise champions were critical in producing good business and environmental results
- Investing in countries with government policies and procedures that actively support green business and the ease of doing business in these countries

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

Legislation and policy implementation is essential for phaseout 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.

Countries could consider drafting new or updating existing legislation and policies on the following aspects of ODS phaseout:

- Recovery, recycling and reporting on ODS
- Establishing private enterprise standards and requirements, particularly in sectors such as the 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

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

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

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 demand for CFCs.

Other approaches to reduce the illegal supply of ODS include the following:

- Training and workshops for customs officers and inspectorates on a regular basis to maintain and improve detection capacities
- Implementation of customs codes for all common ODS and blends to enable customs to differentiate legal from illegal trade
- Establishment of send-and-receive communications between countries to monitor all ODS shipments
- Use of specialized 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

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

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

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

Non-EU CEITs could also considering making more use of UNEP's halon trader Web site, 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.

## 3.6 POPs, LAND DEGRADATION, AND MULTIFOCAL AREA SUPPORT

This chapter brings together conclusions on the POPs focal area, the land degradation focal area, and the multifocal area support that the GEF has promoted. These portfolios are still relatively new and do not have many terminated projects which would allow for a sufficient level of confidence in the findings to support recommendations.

### Conclusions

- The GEF has been responsive to POPs COP guidance. The GEF is now moving into the next phase of supporting this convention by providing financial support to national implementation plans (NIPs).
- The land degradation focal area does not yet have a sufficient number of finished projects to enable conclusions on progress toward impact.
- The multifocal 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.

## PERSISTENT ORGANIC POLLUTANTS

### CONVENTION GUIDANCE

The GEF has followed POPs COP guidance, particularly regarding the preparation and implementation of NIPs. NIPs have enabled the convention to start quickly on the ground, allowing countries to do inventories and define the problem, scope/scale, and actions and priorities to address POPs. 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 presents the GEF response

and OPS4 assessment of COP guidance in the POPs focal area to the GEF during GEF-4.

At COP4, the second review of the financial mechanism was presented (Stockholm Convention on POPs 2009); among its conclusions were the following:

- 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.

**TABLE 3.6.1 POPs: COP GUIDANCE TO THE GEF DURING GEF-4 AND GEF RESPONSE**

GUIDANCE	GEF RESPONSE	COMMENTS
Support business plans for development and deployment of alternative products, methods, and strategies to DDT	Eligible within GEF-4 under SP3	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 GEF-4 under SP2 and 3	Not possible to assess
Support capacity building related to global monitoring plan	Eligible within GEF-4 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 GEF-4	OPS4 did not review this
Support costs and funding needs activities in a country's NIP	Eligible within GEF-4 under SP1	At least 36 projects and \$127 million have been approved in SP1 but cannot determine how many directly support this theme
COP4	Response to additional guidance still under development	OPS4 did not review this

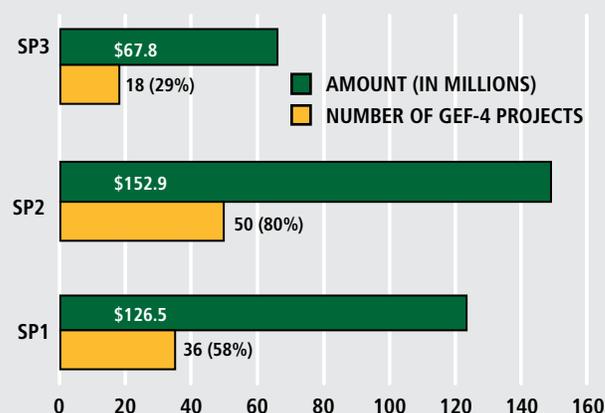
Source: GEF 2007b.

Note: Guidance received during GEF-4 was from COP3 (May 2007) and COP4 (May 2009). See figure 3.6.1 for POPs strategic programs.

- 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.

As of June 2009, and during GEF-4, the GEF Council approved 59 projects (Council or CEO endorsed ready for implementation) and 3 PIFs, for a total of \$182 million. At least 80 percent of projects and funding have gone to NIP preparation and implementation (Strategic Programs 1 and 2); and about a third of projects and funding supports innovative technologies and best practices. In GEF-4, there has been a shift from supporting the preparation of NIPs to supporting implementation of those plans (figure 3.6.1). COP3 specially requested the GEF to support priorities in NIPs that promote capacity building in sound chemicals management, so as to enhance synergies in the implementation of different multilateral environmental agreements and further strengthen the links between environment and

**FIGURE 3.6.1 POPs: PROJECTS APPROVED FOR GEF-4 BY STRATEGIC PROGRAM**



Source: GEF PMIS, through June 30, 2009.

SP1: Strengthening capacity for NIP development and implementation

SP2: Partnering in investments for NIP implementation

SP3: Partnering in the demonstration of feasible, innovative technologies and best practices for POPs reduction

development objectives. The overall conclusion is that the GEF has been responsive to COP guidance.

## REVIEW OF PROGRESS TOWARD POPs IMPACTS

The POPs strategy is to protect human health and the environment by helping countries reduce and eliminate the production, use, and release of POPs; and to support appropriate capacity building. Desired outputs relate to the development and implementation of NIPs by signatories of the Stockholm Convention, followed by phaseout of POPs manufacture and use, sound destruction of POPs stocks, phaseout and disposal of polychlorinated biphenyls (PCBs), and the development of alternatives to DDT for vector control. The desired global environmental benefit is reduced exposure to POPs of humans and ecosystems.

Only two projects were part of the OPS4 cohort of completed projects; both supported implementation of, and civil society participation in, the Stockholm Convention. It is therefore not possible to draw any substantive conclusions on this portfolio

based on 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 nongovernmental organizations in those countries. Provision for such support and participation was weak or lacking in these two cases.

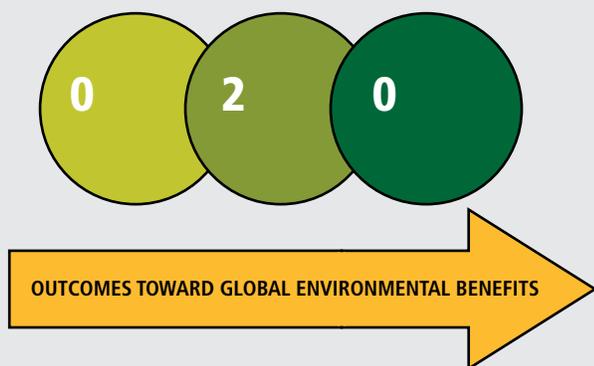
Overall, the clear actions needed to address POPs could imply that impact achievement should be straightforward. In these two projects, however, the GEF emphasis on enabling or capacity building around the Stockholm convention was not matched with project outputs and outcomes focusing on obtaining buy-in by the key industrial producer sectors. Table 3.6.2 and figure 3.6.2 show the assessment of the progress of the 2 finished POPs projects toward impact. 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 3.6.2 SUMMARY OF ROTi RATINGS FOR POPs COHORT (NUMBER OF PROJECTS)**

OUTCOME	INTERMEDIATE STATE				GRAND TOTAL	WITH IMPACT
	A	B	C	D		
A	0	0	0	0	0	0
B	0	0	2	0	2	0
C	0	0	0	0	0	0
D	0	0	0	0	0	0
<b>GRAND TOTAL</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>
<b>WITH IMPACT</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Note: ■ = projects that can be described as making solid progress toward impact  
 ■ = projects that do not show such progress  
 ■ = projects that show promise to move forward, either because of highly successful outcomes or promising intermediary states; these will need additional inputs to ensure continued progress toward impact  
 ■ = projects with evidence of impact achieved at project termination

**FIGURE 3.6.2 PROGRESS TOWARD GLOBAL ENVIRONMENTAL BENEFITS IN POPs: PROJECTS**



## LAND DEGRADATION

### CONVENTION GUIDANCE

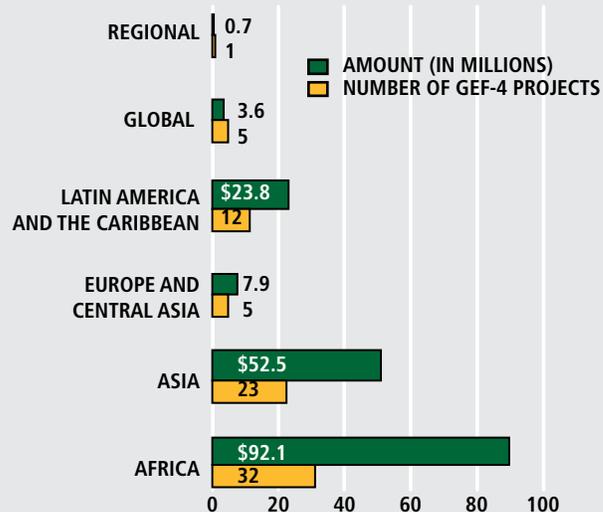
The GEF supports the implementation of United Nations Convention on Combating Desertification (UNCCD) as an operating entity of the convention's financial mechanism. The GEF Third Assembly recognized land degradation as a new focal area. COP8 (September 2007) welcomed decisions by the GEF Council to streamline the project cycle, to adopt a revised focal area strategy on land degradation for GEF-4, and to adopt 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, subregional, and regional action programs and national reports; funds for projects dealing with land degradation and desertification, particularly in Africa; further simplification of the project cycle; predictability of funding; and reporting on projects not in the land degradation focal area that are contributing to sustainable land management. The UNCCD is to bring the 10-year strategic plan

to the attention of the GEF Council to ensure it is in line with GEF strategy on land degradation.

During GEF-4, the GEF Council has approved 24 projects (\$72.3 million) and 9 PIFs (an estimated \$9.8 million in projects). Land degradation also works through multifocal projects; during GEF-4, the GEF Council approved 43 multifocal area projects (\$93.4 million) and 2 PIFs (\$4.9 million) with land degradation components. In total, the GEF has allocated about \$180 million for projects and components dealing with land degradation during GEF-4. One of the main programs approved was the Strategic Investment Program for Sustainable Land Management in Sub-Saharan Africa (GEF ID 2757). This program was allocated \$62 million with close to \$1 billion in cofinancing; so far, it has 19 projects and PIFs approved under it.

Figure 3.6.3 presents a regional distribution of all projects and PIFs approved under the land

**FIGURE 3.6.3 LAND DEGRADATION AND MULTIFOCAL AREA: PROJECTS APPROVED FOR GEF-4 BY REGION**



Source: GEF PMIS, through June 30, 2009.

degradation focal area and those approved multifocal area projects and PIFs with land degradation components. During GEF-4, 41 percent of projects, and 50 percent of GEF funding, were in Africa. This contrasts with the perception held by many stakeholders that the GEF had focused almost exclusively on Sub-Saharan Africa at the request of the convention.

### REVIEW OF PROGRESS TOWARD LAND DEGRADATION IMPACTS

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 the national and/or local levels. Outcomes are meant to be integrated land use planning and implementation and development, and implementation of national action plans 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, in which the GEF plays a catalytic role in scaling up good or best practices. Desired impact is enhanced ecosystems integration in the context of sustainable livelihoods.

The OPS4 cohort of land degradation projects is too small to permit substantial analysis of the portfolio. Of the four rated projects, three were rated BC and one CC. These projects' emphasis on capacity and awareness building produced satisfactory outcomes, but the projects were weak in terms of forward linkages toward 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.

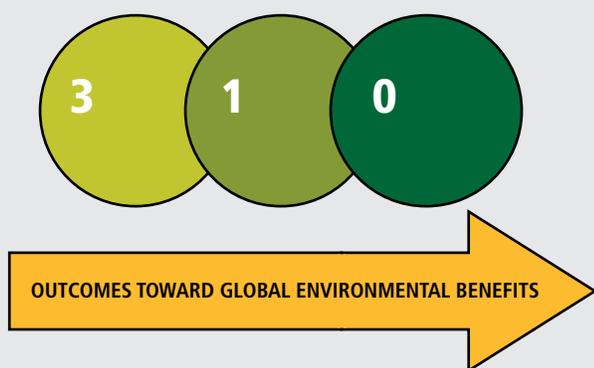
The progress toward impact and global environmental benefits ratings of the land degradation projects are shown in table 3.6.3 and figure 3.6.4.

**TABLE 3.6.3 SUMMARY OF ROTI RATINGS FOR LAND DEGRADATION COHORT (NUMBER OF PROJECTS)**

OUTCOME	INTERMEDIATE STATE				GRAND TOTAL	WITH IMPACT
	A	B	C	D		
A	0	0	0	0	0	0
B	0	0	1	2	3	0
C	0	0	1	1	1	0
D	0	0	0	0	0	0
<b>GRAND TOTAL</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>0</b>
<b>WITH IMPACT</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

Note: ■ = projects that can be described as making solid progress toward impact  
 ■ = projects that do not show such progress  
 ■ = projects that show promise to move forward, either because of highly successful outcomes or promising intermediary states; these will need additional inputs to ensure continued progress toward impact  
 ■ = percentages of projects with evidence of impact achieved at project termination

**FIGURE 3.6.4** PROGRESS TOWARD GLOBAL ENVIRONMENTAL BENEFITS IN LAND DEGRADATION: PROJECTS



## MULTIFOCAL AREA SUPPORT

No theory of change could be developed for the multifocal area (Operational Program [OP] 12), since each project turned out to be different. The desk review cohort consisted of 10 projects: 5 implemented by the World Bank, 4 by UNEP, and 1 by UNDP. Nine of the 10 projects were MSPs, and 1 was an FSP. Three projects were country-specific, three were global, and four were regional. Two projects were classified as short-term response measures, and four were targeted research projects (one was classified under both of these categories). Of the six nontargeted research projects, four can be considered, based on the project titles (“building wider public and private constituencies [in] promotion of global environment protection,” “institutional strengthening and resource mobilization,” “technology transfer networks,” “support for the World Parks Congress”), to be enabling projects. 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.

Two projects did not have sufficient information available to develop ROTl desk ratings. One of these was a multiphase project for which the initial terminal evaluation covered only 10 months of implementation; the other was the project supporting the World Parks Congress in 2003.

Given the heavy focus on research and enabling-type activities in these projects, the ROTl methodology may lead to relatively low scores, because impact linkages are highly indirect for these types of projects. For other focal areas with significantly larger desk review cohorts, the research and enabling-type projects were excluded from final analysis for precisely this reason. However, excluding these projects from the multifocal area cohort would leave only two projects.

It is clear that many research/enabling-type projects fail to articulate their potential value with clear linkages and rationales 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 no specific mechanism is identified through which the increased understanding will be applied. Many multifocal projects lack logframes 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 global environmental benefits should be identified — regardless of whether the specific mechanism or timeframe is beyond the scope of the project.

Table 3.6.4 and figure 3.6.5 show the ratings and progress toward global environmental benefits of the multifocal area cohort.

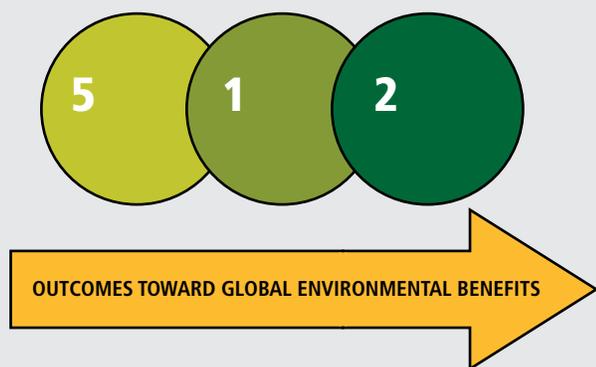
Many of these issues had been identified in an earlier study (GEF OME 2005b), through a broader desk review of project documents at entry. Desk reviews were completed for 38 project documents,

**TABLE 3.6.4 SUMMARY OF ROTI RATINGS FOR MULTIFOCAL AREA COHORT (NUMBER OF PROJECTS)**

OUTCOME	INTERMEDIATE STATE					WITH IMPACT
	A	B	C	D	GRAND TOTAL	
A	0	2	1	0	3	0
B	0	0	0	0	0	0
C	0	0	3	0	3	0
D	0	0	0	2	2	0
<b>GRAND TOTAL</b>	<b>0</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>8</b>	<b>0</b>
<b>WITH IMPACT</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

Note: ■ = projects that can be described as making solid progress toward impact  
 ■ = projects that do not show such progress  
 ■ = projects that show promise to move forward, either because of highly successful outcomes or promising intermediary states; these will need additional inputs to ensure continued progress toward impact  
 ■ = percentages of projects with evidence of impact achieved at project termination

**FIGURE 3.6.5 PROGRESS TOWARD GLOBAL ENVIRONMENTAL BENEFITS IN MULTIFOCAL AREA: PROJECTS**



projects, an apparent lack of strategic guidance of the OP [operational program], and unclear guidelines for designing and achieving successful IEM [integrated ecosystem management] 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 that study’s 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).

and 6 approved project development facility grants. The study concluded:

OP12 [the multifocal area: integrated ecosystem management] 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

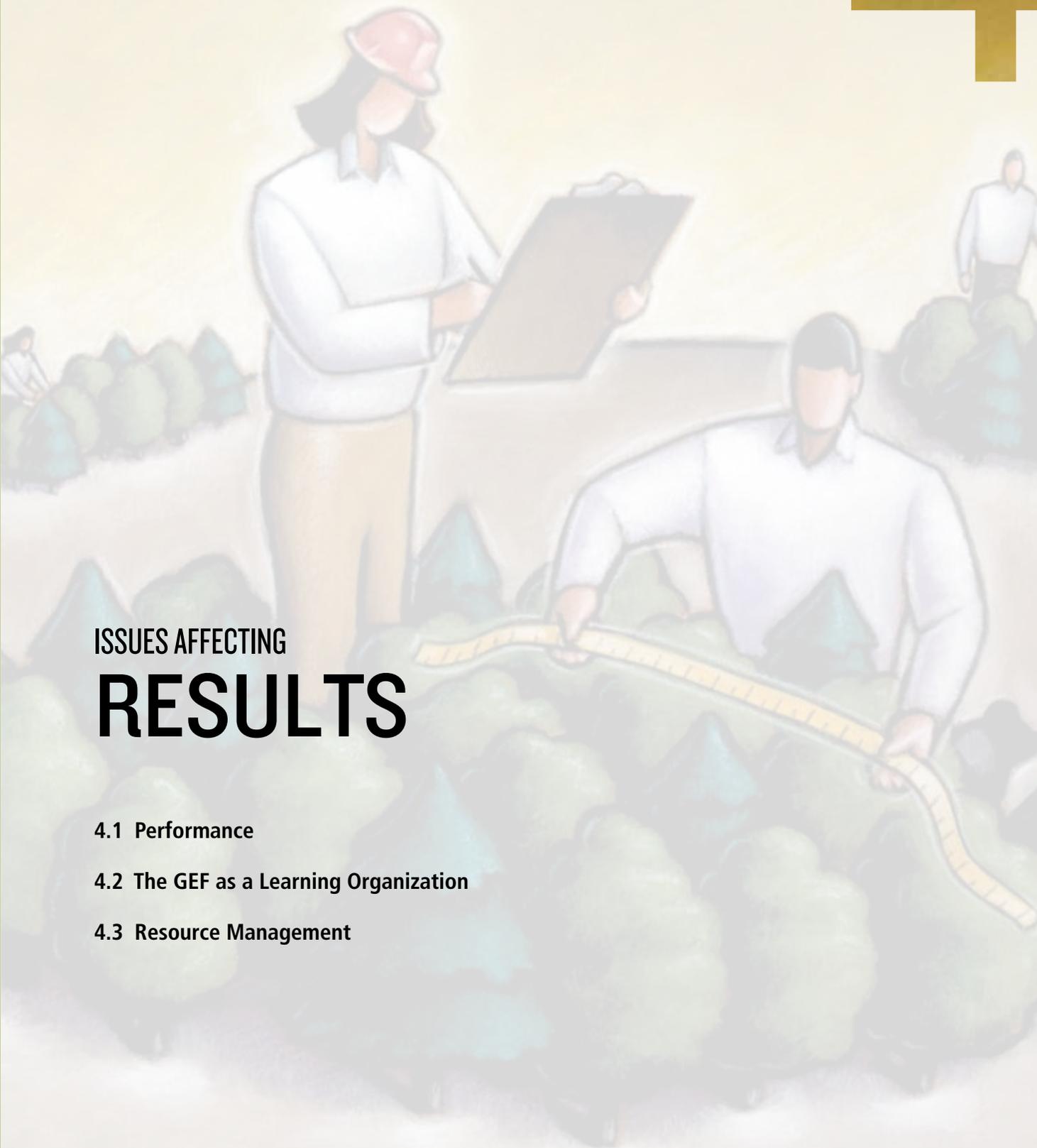
The study proposed a number of approaches to strengthen and improve the coherence of the program; yet the strategic focus and future role of the multifocal area remain unclear. This is of potential concern because of the large number of multifocal area projects currently in the GEF portfolio, many of which have been approved after the 2005



program study. The GEF's multifocal area portfolio now consists of 155 projects with approximately \$655.1 million in GEF funding (this excludes SGP replenishments) — or 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 2005 program study, provide a strong indication that the recommendations of that study should be revisited for further action. As more multifocal projects are completed, the evidence base for assessing results will grow significantly, but preliminary indications are that action in this area need not wait for further extensive results.





ISSUES AFFECTING  
**RESULTS**

4.1 Performance

4.2 The GEF as a Learning Organization

4.3 Resource Management

## 4.1 PERFORMANCE

This chapter reviews the evidence on performance issues in the Global Environment Facility (GEF); its conclusions and recommendations are primarily based on the evaluative evidence developed through four years of the GEF Evaluation Office's annual performance reports and additional work undertaken for the Fourth Overall Performance Study (OPS4). The chapter addresses terminal evaluation reviews and what can be learned from them, cofinancing, the reasons why projects fail, the quality of project supervision, social and gender issues, the Small Grants Programme (SGP), the project cycle, and the reliability of the GEF Project Management Information System (PMIS).

### Conclusions

- Performance of the GEF has exceeded the target of 75 percent moderately satisfactory or higher outcomes — the average score since fiscal year (FY) 2005 is 80 percent. The challenge is now to move to higher levels of satisfactory outcomes.
- 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.
- The GEF benefits from mobilization of cofinancing through efficiency gains, risk reduction, synergies of collaboration with complementary partners, and a 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.
- The World Bank and the United Nations Development Programme (UNDP) continue to provide a satisfactory level of supervision to a high proportion of GEF projects implemented by them; supervision has improved significantly in the United Nations Environment Programme (UNEP).
- Social and gender issues in GEF strategies and projects are not addressed in a systematic manner; the current approach of relying on the application of social and gender policies of individual agencies to all GEF projects is inadequate and leads to differences in approach.
- The SGP 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.
- 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 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 domain of the GEF Agencies and GEF focal points.

- Delays were noted in the phase before project proposals are approved. PIFs tend to be sent back and forth between Agencies and the GEF Secretariat before they are submitted for Council approval, with several inefficiencies in communication. The Secretariat has adopted a 10-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.
- In January 2009, a new and improved PMIS was introduced. After a concentrated effort on the part of the Secretariat to update the database in June and July 2009, its core data can be considered to be reliable, but it still lacks structural quality checks.

### Recommendations

- There are several performance-related issues that need to be incorporated into new guidelines:
  - The process and criteria for project restructuring
  - Social and gender issues and risk
  - Risk tackling, tolerance, and reporting
  - The use of midterm reviews
- The 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.
- More attention should be give to ensure that project fees provide sufficient resources to cover all supervision requirements of the GEF.
- Better recognition and integration are needed of social and gender issues as essential means of achieving sustainable global environmental benefits.
- OPS4 strongly supports the proposals in the replenishment process to recognize the SGP as a modality of the GEF that 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, prepare a suitable full-size project modality for SGP funding, introduce a grievance procedure, and establish a process through which audits will be made public.
- The GEF Agencies and the Secretariat should establish 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.
- Attention should be given to a more comprehensive, expedited solution to remaining PMIS weaknesses.

## PERFORMANCE AS MEASURED BY TERMINAL EVALUATION REVIEWS

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, UNDP, and 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.

The 2008 Annual Performance Report, which was presented to Council in June 2009, included an assessment of all terminal evaluations received since FY 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. Fourteen of these terminal evaluations have been verified in the field.

The policy recommendations for GEF-4 contain a target of satisfactory **outcome** 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.<sup>1</sup> 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

1 UNDP's Evaluation Office does not review the outcome ratings of project terminal evaluations. Its reviews focus on the quality of terminal evaluations.

Evaluation Group has noted that GEF projects in the Bank score higher than environmental projects the Bank has undertaken without GEF cofunding.

Terminal evaluation outcome ratings of moderately satisfactory or above received since FY 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 FOCAL AREA**

AGENCY/ FOCAL AREA	% RATED MODERATELY SATISFACTORY OR ABOVE
World Bank	85
UNDP	78
UNEP	72
Climate change	84
Biodiversity	81
International waters	78

Source: GEF EO 2009b.

Four types of risks to **sustainability** are assessed on the basis of reviews of the terminal evaluations: **institutional, economic, sociopolitical, and environmental**. Over the GEF-4 period, the average rating has remained relatively stable, with 58 percent of projects rated at least moderately likely to remain sustainable. Throughout the GEF-4 period, 54 percent of the projects were 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

Since its pilot phase, the GEF partnership has reportedly mobilized promised cofinancing of \$37.6 billion, or \$4.40 per dollar of GEF grant, for its approved projects. For GEF-4, up to June 30, 2009, a promised cofinancing of \$12.3 billion had been mobilized, at \$6.20 per dollar of GEF grant. Most of the cofinancing is promised by the government agencies of the recipient countries. For the projects approved during FY 2007 and 2008, 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 counted as contributions by the recipient countries, the share of multilateral institutions is reduced by half.

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 show 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.

While the statistics on promised cofinancing and its materialization are important from the perspective

of the extent to which the GEF partners are gaining commitments from non-GEF agencies for the projects they propose and the extent to which 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 the Council has, on several occasions, articulated the importance of cofinancing for achieving the GEF's objectives,<sup>2</sup> and the Secretariat has portrayed it as an indicator of GEF's "multiplier" effect in generating additional resources for generation of global environmental benefits,<sup>3</sup> the empirical evidence to support such an assertion is missing. In fact, the 1994 evaluation of the GEF pilot phase, which assessed cofinancing in the GEF and its efficacy in generating additional resources for the environment in detail, questioned the instrumentality of GEF projects in mobilizing World Bank lending resources (UNDP, UNEP, and World Bank 1994). Similarly, the Third Overall Performance Study (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 posed the question of 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.

An assessment of the project documents of 20 highly leveraged GEF projects — each of which had promised cofinancing of more than \$240 million, more than \$7 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,

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2 GEF (1997) Agenda Item 7, Work Program; GEF (2002b), Agenda Item 9, Cofinancing; GEF (2003), Agenda Item 11, Strategic Approach to Enhance Capacity Building.

3 GEF (2000), p. 15; (2002a), p. 6; (2005a), p. 13.

transportation, wastewater 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 large percentage of these highly leveraged projects were implemented by the international financial institutions (95 percent). The assessment shows that highly leveraged projects tended to have the following characteristics:

- **Low “GEF-ability” of cofinancing.** Although on average for these projects, \$26 of cofinancing was promised per dollar of GEF grant, less than \$1 was for activities that the GEF normally supports from its own resources.
- **Lower level of integration of cofinancing with the GEF-supported components.** Compared with the other projects where cofinancing for non-GEF components accounted for 14 percent of total cofinancing (159 observations), for the highly leveraged projects (18 observations), 41 percent of total cofinancing was for components in which the GEF had not invested a single dollar.
- **Cofinancing not managed by executing agencies.** A significant proportion of cofinancing (48 percent) was managed by entities other than the executing agency of the project (six observations).

These findings suggest that high levels of cofinancing and cofinancing ratios do not lead to substantially higher levels of global environmental benefits; for lower levels of cofinancing, the link to additional global environmental benefits remains confirmed, as was shown in the evaluation of incremental cost analysis (GEF EO 2007a). Furthermore, the case for cofinancing still remains strong as it allows the GEF to do the following:

- **Reduce its risks in funding projects that require substantial investments.** For such projects, even though a high proportion of its benefit mix is consistent with the GEF mandate,

the GEF may desist from investing on its own. Cofinancing allows for risk sharing, and thus allows the GEF to reduce its risk.

- **Make operations cost-efficient.** For some projects, the GEF may be able to increase the scale of the project through cofinancing; this in turn allows the 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 a greater number of options to determine its optimal project mix.** The GEF will be able to choose those it deems most cost-effective.

The level of cofinancing that the 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. First, it may veer GEF partners toward 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. Second, it reduces incentives for adherence to an agreed definition of cofinancing and candid reporting on it.

## FACTORS AFFECTING UNDERPERFORMING PROJECTS

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 GEF underperforming projects.

Out of the 210 projects reviewed, 40 (20 percent) were rated moderately unsatisfactory or lower. Design flaws were noted in 30 projects (75 percent) 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 the 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 7 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 outcomes.

For 24 projects (60 percent), lower outcome achievements were linked with implementation- and execution-related problems. These included 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 problems related to project design were also reported.

For four projects (10 percent), lower outcome achievements were linked with exogenous factors beyond the control of the GEF partnership involved in project implementation. For three projects — the Aceh Elephant Landscape Project (GEF ID 26), the West Africa Pilot Community-Based Natural Resource Management Project (GEF ID 55), and the Forestry and Conservation Project (GEF ID 513), all implemented by the World Bank — outcome achievements were reported to be lower because of political instability and civil strife in the project area. The activities of one project, Dry Forest Biodiversity Conservation (GEF ID 815, implemented by the World Bank), had to be curtailed because of a natural disaster.

## QUALITY OF PROJECT SUPERVISION

The quality of project supervision assessments evaluated Agency performance on project supervision with regard 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 Implementing Agency performance rather than project performance. The supervision assessment takes into account systems put in place by, and the overall supervisory effort demonstrated by, the Implementing Agency, including the effort of the task teams and management.

Two quality-of-supervision assessments were carried out during the GEF-4 period (GEF EO 2007b and 2009b). Both looked into the Agency supervision systems in place and examined a sample of projects using three review criteria: focus on results, supervision inputs and processes, and candor and quality of project performance reporting. The first assessment took place in 2006 and included the examination of 55 projects of the three GEF Implementing Agencies. The second assessment took place in 2008, and included 47 projects of all 10 GEF Agencies.

As shown in table 4.1.2, there was a marked improvement in the proportion of projects rated moderately satisfactory or higher for overall quality of supervision from 2006 (70 percent) to 2008 (85 percent). The most significant finding of this assessment is the dramatic increase in UNEP's performance ratings, from 36 to 73 percent for projects rated moderately 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 those of the other two Implementing Agencies on 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 PROJECTS RATED MODERATELY SATISFACTORY OR HIGHER FOR OVERALL QUALITY OF SUPERVISION BY AGENCY AND PROJECT SIZE (%)**

AGENCY/PROJECT SIZE	2006	2008
UNDP	88	92
UNEP	36	73
World Bank	87	86
Full-size projects	82	88
Medium-size projects	79	88

Sources: GEF EO 2007b, 2009b.

These changes are explained by the actions UNEP took between the two reviews to develop a more structured 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 been adopted this

system, and old projects are being retrofitted. The 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 member dedicated to monitoring project progress and supervision at the portfolio level. A new database was put in place, allowing better tracking of individual GEF projects and the portfolio. Beginning in FY 2008, UNEP has also started tracking quality of supervision across its project portfolio.

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 because there were virtually no changes in World Bank supervision standards for the 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 GEF supervision requirements for focus on results, supervision inputs and processes, and candor and quality of performance reporting during implementation.

Similarly, UNDP had consistently solid ratings on supervision. Slight improvements in ratings since the 2006 review are likely the result of robust technical teams placed in the various UNDP regional offices and the full integration of ATLAS-ti software 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 GEF supervision requirements for focus on results, supervision inputs and processes, and candor and quality of performance reporting during implementation.

The supervision assessment identified several weaknesses that need to be addressed in new guidelines:

- Specific guidance is still lacking on how to identify risk factors and assign ratings. Currently, risk ratings are assigned based on an estimate of the 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 more systematic risk tracking in the portfolio (including of social, political, financial, economic, institutional, technological, and environmental factors).
- Options for project cancellation and restructuring are rarely exercised, even though some of the projects reviewed should have been strong candidates for such, given that disbursements were lagging significantly behind projections or some components were performing very poorly.
- Both supervision assessments found that midterm reviews have often been of crucial importance in identifying problems and proposing solutions. Yet, both reviews also found instances where project midterm reviews 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 the necessary services. This is particularly the case when Agency portfolios are heavily weighted toward medium-size projects 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

Global environmental benefits can only be achieved if human behavior toward 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 than on the context in which these operate. The local benefits study (GEF EO 2006c) reestablished the link between global and local benefits: global benefits are only sustainable if there are local benefits to sustain them. “Gender Mainstreaming in the GEF” (OPS Technical Document #9) also looked into the extent to which social and gender issues are addressed by GEF projects.

While the Secretariat has recently moved toward mainstreaming gender issues, overall, the guidance provided by the GEF to Agencies on social and gender issues has been too broad. Up to now, the GEF has largely depended on the policies and practices of the Agencies, but their standards and practices vary significantly. With regard to social and gender issues, the Evaluation Office has only examined the systems of the Implementing Agencies; the systems of the other Agencies will be examined during GEF-5.

The World Bank Social and Environmental Safeguards are specific policies that were put in 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 human 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 instruments and tools to mainstream this approach into project preparation and supervision. UNEP’s GEF division 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 with the 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.

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 that on climate change provide guidance on gender. The GEF has so far relied on its Agencies to apply their gender mainstreaming policies and strategies to the 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” (GEF 2008c, p. 16), the GEF Secretariat has felt the need to rethink this approach to mainstream gender in GEF projects. As a first step, the Secretariat produced a thought piece to provoke discussion in and outside the organization and generate ideas for new directions. OPS4 examined the gender mainstreaming practices of the GEF’s two largest Agencies, 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 toward the goal of gender equality. But despite many years of practice, neither organization 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 among staff.

OPS4 looked at 210 terminal evaluations across the Agencies for any mention of gender. The results by focal area show that at least 50 percent 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 terms of reference 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.

The GEF needs to develop criteria with regard 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 preparation, implementation, and evaluation. Three key concerns the criteria should address follow:

- 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

The GEF SGP continues to be an effective tool for the GEF to achieve global environmental benefits while addressing the livelihood needs of local populations and giving special attention to reaching the poor.<sup>4</sup> SGP country programs, 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 the SGP has resulted in a high demand for SGP country programs. By the end of GEF-4, the SGP will have grown to 123 countries, with 10 more countries having expressed an interest in joining during GEF-5.

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4 For more information on the SGP, see GEF EO–UNDP (2008) and GEF EO (2008).

The Joint Evaluation of the SGP pointed out that as the program grows it is also facing new challenges and opportunities (GEF EO–UNDP 2008). 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 the 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 programs in GEF-5. This will require that country programs function more independently 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 an SGP full-size project modality will require careful development of that modality to ensure that the benefits of the SGP approach are adequately safeguarded and continue to flow. The growth of the program expected during GEF-5 has also prompted the SGP to undertake several actions to strengthen program oversight, governance, and monitoring and evaluation. A grievance procedure for the SGP has not yet been made public, as required in the GEF minimum fiduciary standards for all GEF support.

The Resource Allocation Framework (RAF) has also resulted in new challenges for the SGP. The initial rules of access to GEF resources were particularly complex and affected SGP efficiency. Since then, amendment of the matching requirement for resources from core funds and the 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 GEF-5, as the GEF moves into more coherent country portfolios, SGP country programs will 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 and will be particularly challenging if RAF allocations remain divided by focal area, as will be the utilization of SGP RAF funds for focal areas in which there is little demand for grants, a situation that is already occurring with regard to climate change funds. The GEF has 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 management cost allocations for the SGP and ensure that the program provides all critical services.

Issues that require further attention are as follows:

- Reform the SGP central management system to make it suitable for the new phase of growth and address the program’s growing complexity. These changes should consider ways to tap into UNDP technical regional teams and 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 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 by which SGP audits are made public.

## PROJECT CYCLE: PIF CLEARANCE

One of the major findings of the Joint Evaluation of the 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” (GEF EO 2007c,

finding 2, p. 6); it called for “a radical redrawing of the cycle” (recommendation 1, p. 11). Taking note of the evaluation findings and recommendations, the Council asked the GEF Secretariat to come up with proposals for a new project cycle (GEF 2006a). In its next meeting in June 2007, the Council reviewed the paper “GEF Project Cycle” (GEF 2007a) prepared by the Secretariat and approved the new project cycle there outlined for immediate application. The new project cycle comprises the following key steps: CEO clearance of PIF; Council approval of PIF; CEO endorsement (or approval) of project document; and 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 CEO endorsement.

Only two years have passed since the adoption of the new project cycle, and the Council approved the first work program under it in November 2007. The data available for the 39 PIFs approved as part of this work program show 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 too early to draw conclusions from the emerging data for the period between Council approval to CEO endorsement.<sup>5</sup> 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 reveals the following:

5 While the average time taken for the GEF-4 projects that have been CEO endorsed so far can be calculated, it provides downwardly biased estimates for the PIFs approved by the GEF Council during GEF-4 because it captures a high proportion of “success stories” and does not capture to an equal extent proposals that will take more than 22 months before they will be eventually endorsed.

- The rules for termination of project proposals during the PIF review are not clear. This has led to a cluttering of the project pipeline with proposals that are unlikely to be cleared.
- The Secretariat responded to 56 percent of the PIF submissions within the 10-workday business standard (table 4.1.3). Compared with first submissions, the Secretariat is quicker in responding to subsequent resubmissions.

**TABLE 4.1.3 TURNAROUND TIME OF PIF SUBMISSIONS BY THE GEF SECRETARIAT**

FY OF SUBMISSION	NO. OF OBSERVATIONS	NO. OF WORKDAYS FOR RESPONSE (% OF TOTAL PIFs SUBMITTED)		
		WITH-IN 5	WITH-IN 10	WITH-IN 22
2007	110	15	58	91
2008	582	22	54	87
2009	465	33	58	89
<b>Total</b>	<b>1,157</b>	<b>26</b>	<b>56</b>	<b>88</b>

Source: GEF PMIS, through June 30, 2009.

- 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 resubmissions.
- The median time taken from first submission to CEO PIF clearance decreased from 84 days in FY 2008 to 38 days in FY 2009. The proportion of cleared PIFs as a percentage of submissions also increased from FY 2008 to 2009 for any given time period from submission. This indicates increasing efficiency of the PIF review process as implementation of the new project cycle is worked out.

**TABLE 4.1.4 TURNAROUND TIME OF PIF SUBMISSIONS BY RELEVANT AGENCY**

AGENCY	NO. OF OBSERVATIONS	NO. OF WORKDAYS FOR RESPONSE (% OF TOTAL PIFS SUBMITTED)		
		WITH-IN 5	WITH-IN 10	WITH-IN 22
UNDP	483	22	53	89
UNEP	232	22	50	81
World Bank	205	33	66	93
Other	237	32	58	91
<b>Total</b>	<b>1,157</b>	<b>26</b>	<b>56</b>	<b>88</b>

Source: GEF PMIS, through June 30, 2009.

- In 4 percent of PIF reviews, GEF Secretariat comments made during subsequent rounds of PIF submission could have potentially been made earlier. Two other categories of comments cause friction between the Secretariat and the 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 PIF (7 percent).

These findings underscore a need for establishing clear rules for termination of PIFs, for the Secretariat's improved adherence to the 10-workday business standard for responding to PIF submission, and the introduction of business standards for Agencies and project proponents in submitting revised PIFs.

## THE PMIS

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 GEF PMIS is expected to facilitate the GEF partnership in this regard.

While the currently operational PMIS is an improvement over its earlier versions and fulfils many of its intended functions, there remain many areas where further improvements are required to facilitate the GEF partnership in its operational and knowledge-sharing functions.

The discussion to create a PMIS first took place at 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 (GEF 1999). In its May 2000 meeting, the GEF Council approved a special initiative to develop a PMIS, which eventually became operational in 2001 as a Microsoft Access database accessible only to users at the GEF Secretariat.

The Second Overall Performance Study (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" (Christoffersen et al. 2002, p. xi). 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 the GEF portfolio in a reliable manner. It also mentioned that the Secretariat had not provided sufficient resources for the database management function (GEF Office of Monitoring and Evaluation 2005). 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 2005b) 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."

After more than three years since its approval by the Council, the new PMIS became operational in January 2009. Compared with the earlier system, the new PMIS provides the 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 were not adequate.
- **Better security features.** The new PMIS has more stringent protocols on data entry and modification. It “fingerprints” the changes so that the system may track the person who made the changes.
- **Minimizes errors in recording data.** The new PMIS has some built-in logical constraints to minimize data entry–related errors and help program managers track inconsistencies in project proposals.
- **Better monitoring of progress of project proposals.** The new system facilitates program managers and other stakeholders in tracking the progress of project proposals, and alerts the responsible official on pending actions.

In addition to these advantages, the structure of the PMIS has been modified to address the evolving needs of the GEF. For example, it now provides information relevant to programmatic approach, the RAF, and the new project cycle.

Despite substantial improvements, the PMIS remains a work in progress. The level of automation, which could improve the workflow and reduce the time taken to enter information, still remains below the desired level. For example, information provided in project proposals needs to be reentered from the proposal documents attached to the email submissions. This redundancy could be 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.

Poor quality of information maintained in and provided by the PMIS has been noted as a concern in OPS2 and OPS3. In GEF-4, the Secretariat has undertaken steps to ensure better quality of data. For example, in June–July 2009, the Secretariat undertook an exercise to update and enter missing information on project cycle–related milestones. As a result, it was able to reduce the percentage of fields for which the date of the GEF action on submitted PIFs was missing from 16 percent to less than 2 percent. On the other hand, the Secretariat has yet to dedicate the required resources to improve the quality of data for the period before GEF-3.

In past eight months that the new PMIS has been operational, many design improvements and additions have been incorporated, and some of the earlier “glitches” have been addressed. However, the pace at which this is occurring is relatively slow. Although improving the PMIS is a stated commitment of the Secretariat, it has demonstrated a disinclination to utilize the approved amount for establishing a reliable management information system to this end. This disinclination has been guided by the Secretariat’s emphasis on cutting its management costs. While this has resulted in significant savings for the GEF, these savings entail a trade-off — the inability to develop a better PMIS quickly and the resultant frustration caused in the GEF partnership.

The present trade-off 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. The GEF should prioritize speedy development of the PMIS to catch up with its information needs.

## 4.2 THE GEF AS A LEARNING ORGANIZATION

This chapter looks at how the GEF functions as a knowledge organization. Learning at various levels (project, Agency, and corporate) is explored. Monitoring and evaluation as a source of learning is discussed, as is the role of the Science and Technological Advisory Panel (STAP).

### Conclusions

- Learning is still not structurally and systematically encouraged. This does not mean there is no learning: in fact, much good is happening, but more light is possible. The GEF lacks a knowledge management strategy that pulls all the learning efforts together in a planned and organized manner.
- The Evaluation Office is sufficiently independent and its reports are especially valuable for the Council for deliberations and decision making.
- Although the GEF Monitoring and Evaluation Policy clearly defines roles and responsibilities, monitoring remains 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.
- The role of the STAP on project advice is generally appreciated, but the STAP has not fulfilled its strategic mandate as envisaged. The Council has also not requested the STAP's advice on critical technical or scientific issues facing the GEF.

### Recommendations

- 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 consolidated in a corporate strategy.
- 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 by the review of monitoring and evaluation issues undertaken by ICF Consulting.
- The 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.
- The STAP should take the initiative in presenting strategic scientific and technological advice to the GEF Council on critical policy issues.

In principle, the GEF is well poised to be a learning organization par excellence. It has a Scientific and Technical Advisory Panel, and is 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.

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 the GEF Agencies often have a 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 promote learning equally at all levels of the partnership are insufficient.

## LEARNING AT THE PROJECT LEVEL

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 non-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 through sound project supervision.

OPS4 also looked into the extent to which projects build on, and contribute to, current science and scientific knowledge.<sup>1</sup> While projects differ with regard 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 conduct original research more frequently. Some task team leaders also facilitate the exchange of lessons learned and good practices through project preparation workshops and conferences, and other direct exchanges among country teams on specific topics or types of project.

Experiences from projects are gathered and analyzed in terminal evaluations. The 2008 Annual Performance Report (GEF EO 2009b) provides an

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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 20 projects for each major agency (the World Bank, UNDP, and UNEP) were examined in the following areas: building on GEF projects, building on non-GEF projects, STAP reviews, incorporating the scientific literature, and conduct of original scientific research.

overview of the quality of terminal evaluations since the Evaluation Office started assessing this in FY 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 above in the GEF-4 period.

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, with 76 percent of projects rated 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 GEF-4 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 in identifying 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

In the past, the annual monitoring process of the focal area task forces (whose members include GEF

Secretariat staff and staff from the Agencies) was a joint effort in which these stakeholders came together to distill and exchange lessons from the projects and feed these into the new focal area strategies and the design and supervision of projects. During GEF-4, however, with the lessening of the focal area task forces' prominence within the GEF, the attention of inter-Agency interactions has shifted to other topics. Nevertheless, the Secretariat still receives synthesized feedback from the Agencies for this purpose.

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.

The international waters focal area stands out for its achievements and lessons. It has worked to develop a directed learning approach through the IW:LEARN effort. With 10 years of experience behind it, IW:LEARN, now entering its fourth phase, has experimented with various approaches and tools, including a Biennial International Waters Conference, specialized thematic workshops, learning visits, learning notes, and different kinds of Web-based learning and exchanges. A logical sequence can be seen, as the IW:LEARN effort started with a concept pilot and Web site development; expanded and refined its Web-based knowledge exchange tools; and 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 the Mediterranean). There is a distinctly “new age” virtual style to the IW:LEARN effort, with earnest

attempts at Internet-based community building. Significant hurdles remain in developing countries for this approach, especially in those without widespread high-speed Internet access.

The primary utility of IW:LEARN is as a repository for information for persons involved in international waters projects, via the Web-based International Waters Resource Center. It is the place to go to get background on projects, to obtain formats and templates, and to learn about upcoming GEF international waters events. It supports project teams looking for practical project management information such as Web site design toolkits, transboundary diagnostic analysis/strategic action program guidance, and the latest project document templates. There may have been some resulting benefit in terms of better coordination among projects in the same regions, and of the same type, across the Agencies, especially UNDP, UNEP, and the World Bank; further review would be needed to substantiate this. In general, the IW:LEARN effort constitutes a very useful information exchange program. There are many lessons for the GEF to be drawn from the decade of achievements and growing pains of IW:LEARN.

## LEARNING AT THE CORPORATE LEVEL

While learning at the corporate level does take place, it often occurs on an ad hoc basis and without a formalized mechanism to ensure that specific, thought-out objectives are fulfilled. A workshop was held in early 2006 aimed 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 GEF-5, the GEF Secretariat is proposing new corporate learning initiatives that draw on the achievements and lessons of the international waters focal area and build on existing learning activities within projects, 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 GEF-5 focal area strategies, and new monitoring review missions with learning products as an output from each mission. Missing, however, is a strategy that pulls all the efforts together in a planned and strategically anchored manner.

Learning at the corporate level 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) maintained by the Evaluation Office indicates that, in 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 has tracked 59 Council decisions stemming from 16 evaluations, of which the Office could not provide ratings for 6 decisions, because of insufficient information. Of the 53 Council decisions for which progress was reported, 40 (68 percent) were rated as having achieved high (19) or substantial progress (21). Only 13 decisions were rated as having achieved medium progress; none were rated as having achieved negligible progress.

Adoption of Council decisions varies depending on the type of decision. Some Council decisions are straightforward and require simple and specific actions. Others require substantial changes in strategies and processes, and therefore take longer to be fully adopted and integrated into the GEF system. Examples of quick institutional learning during GEF-4 include the improvement of terminal evaluations in UNDP and UNEP and the improvement of quality of supervision in UNEP.

## LEARNING AT THE COUNTRY LEVEL

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 (Nongovernmental Organization) 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 part of the GEF's efforts to engage national stakeholders and foster dialogue and participation on global environmental issues. The NDI follows and builds upon an earlier program, the GEF Country Dialogue Workshops (1999–2003), which were designed to strengthen country coordination and capacity and to promote country ownership and awareness. The effort 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. Beyond these objectives, the NDI also looks to share lessons learned from project implementation, achieve greater mainstreaming of GEF activities into national planning frameworks, and foster coordination and synergies among the GEF focal areas and convention issues at the national level.

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 the GEF as the financial instrument to support the implementation of multilateral environmental agreements addressing global environmental issues, and recommends that it 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 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.

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 the impact of such initiatives, especially when it comes to measuring national efforts in mainstreaming GEF activities into national frameworks. In this sense, the recommendation formulated in the NDI evaluation on the need to identify indicators to track NDI event follow-up activities is appropriate.

## MONITORING AND EVALUATION

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 was presented to the GEF Council in June 2009, and the conclusions of this review and its recommendations will, at the request of the Council, be incorporated in the review of the GEF Monitoring and Evaluation Policy for GEF-5.<sup>2</sup>

Additionally, 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 GEF Monitoring and Evaluation Policy, such as monitoring, and partners in monitoring and evaluation. This review was undertaken by ICF Consulting.<sup>3</sup>

Both the peer review and ICF Consulting conclude that the evaluation function in the GEF is sufficiently independent and that evaluation reports

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2 The conclusions of the peer review and the Office's response are in appendix D; the full report, "Peer Review: the Evaluation Function of the GEF" (Technical Document #6), is available on the GEF Evaluation Office Web site ([www.gefeo.org](http://www.gefeo.org)) and the OPS4 CD-ROM.

3 The full report, "Independent Monitoring and Evaluation Review" (Technical Document #7), is available on the GEF Evaluation Office Web site ([www.gefeo.org](http://www.gefeo.org)) and the OPS4 CD-ROM.

are useful for deliberations and decision making in the Council. On other levels, gains could be made through more interaction with stakeholders, which would result in more involvement of the GEF partners in designing Evaluation Office 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 into consideration in the proposed revision of the GEF Monitoring and Evaluation Policy.

On monitoring issues, ICF Consulting concludes that, while the GEF Monitoring and Evaluation Policy clearly describes roles and responsibilities for monitoring, these are 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 project data from the Agencies to provide portfolio results at either the focal area or corporate level.

ICF Consulting further concludes that communication, information flow, knowledge sharing, and a sense of community of practice as it relates to monitoring and evaluation 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 (GEF EO 2006b), 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 is the case with evaluation.

A last point on monitoring and evaluation is the fact that although the Council asked the GEF Agencies to ensure that the GEF focal points are aware of monitoring and evaluation efforts on their projects, this is still not standard practice. This fact emerged in previous country portfolio evaluations, and has been reiterated by the GEF focal points consulted by survey and in subregional meetings. Several focal points called for increased technical and financial support in portfolio monitoring in their country.

## SCIENCE AND TECHNOLOGY ADVISORY PANEL

The STAP is mandated to provide strategic, scientific, and technical advice throughout the entire 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 the GEF and the STAP.

OPS3 and the Joint Evaluation of the GEF Activity Cycle and Modalities identified a number of improvements needed to the fundamental design and functioning of the STAP. These led to proposals from the STAP and UNEP, which were approved by the Council in June 2007 and resulted in a 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 the STAP's advisory work.

Overall, several major changes were implemented simultaneously, with a potentially major impact on the GEF's access to scientific and technical advice. As a result of these reforms, the STAP's advisory role in the project cycle is now appreciated by many; its involvement in operational issues is appreciated as well. Recently, the STAP began 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 GEF-5 and for the new resource allocation system to be adopted in GEF-5, or the scientific and technical advice provided on indicators and monitoring. The STAP also collaborated with the Evaluation Office on quasi-experimental impact evaluations.

However, the STAP's role in strategic advice is still underutilized. The Council does not request STAP advice on specific strategic issues, and the STAP has not been forthcoming in providing unsolicited higher level and synthetic advice to the Council. In fact, the STAP itself acknowledges that it has rarely taken opportunities to present challenging ideas to the Council directly in plenary session. It has recently tried to redress this by introducing a working document for decision by the Council.

Council members interviewed for the OPS4 governance study acknowledged that the 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 the STAP has not given sufficient guidance on cross-focal area issues in an integrated manner. Overall, both the STAP and the Council seem to agree that a much better articulation of the STAP's role as provider of strategic scientific advice to the Council on GEF policies and strategies is needed.

The STAP's composition remains, in principle, on a focal area basis, even though both the STAP and the GEF are moving in the direction of multifocal area and synthetic/crosscutting issues. The question is whether STAP 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 the 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 — now the Science Panel — of the Consultative Group for International Agricultural Research (CGIAR), which has exerted a great deal of influence on CGIAR strategies, policies, and decisions.

## 4.3 RESOURCE MANAGEMENT

This chapter looks at the management of the GEF Trust Fund, the role of the GEF Trustee, the fiduciary standards currently being applied in the GEF, and the GEF fee system, and makes an initial effort at comparing the costs of the GEF to those of similar entities.

### Conclusions

- In uncertain financial times, the GEF Trust Fund has higher exchange rate risks than are currently 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.
- The current system of setting aside funds in the Trust Fund for the full amount a project is projected to cost at the PIF stage is unnecessarily fiscally conservative: it means that a large amount of money is set aside which will not be used in the immediate future. Most project proposals will take 22 months from approved PIF to CEO endorsement; some will not lead to a fundable proposal.
- 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 since developed an approach to this issue.
- On the replenishment process and fundraising, de facto joint responsibility is taken by the Trustee and the CEO.
- The fiduciary standards in the GEF include areas that are not generally considered to be fiduciary (project appraisal and evaluation) and are overly prescriptive (audit).
- The fee system of the GEF (10 percent per project) is in some cases not fair to Agencies, and on some categories of projects is unnecessarily expensive for the GEF.
- In comparison to other facilities and funds, the GEF does not appear to be more costly. Some entities have introduced cost/efficiency ratios, which they plan to follow over time. There is not yet a best international practice established.

### Recommendations

- 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.
- The GEF Instrument should recognize and reflect the role of the CEO and the Secretariat in the GEF replenishment process.

- **Fiduciary standards should be separated into fiduciary and management standards; these should provide less detail on practices to be followed and be more specific regarding results to be achieved.**
- **The GEF fee system should be changed into a rules-based system grounded on the principle of fees for services, including nonproject services for support of program development, and allocating higher fees to smaller projects and lower fees to larger commitments. The system should be linked to additional expenditures needed for specific types of projects, groups of recipient countries, national governments, and support for the GEF focal points.**
- **The GEF should begin to develop a measurement system for its costs and encourage development of an international minimum standard.**

## MANAGEMENT OF THE GEF TRUST FUND

OPS4 is the first overall performance study to look at the management of the GEF Trust Fund and the role of the GEF Trustee. Consequently, there is no evaluative baseline or evaluative data to refer to 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.

Management of the GEF Trust Fund has become more difficult as a result of the international financial crisis, which has increased the currency risks the GEF is facing. The recent volatility in currency markets, a relative strengthening of the U.S. dollar, 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 GEF-4, donor receivables appreciated by some 10 percent in U.S. dollars (\$240 million) in the period August 2006 to mid-2008, decreased up to early 2009, and have been increasing again since that time. In GEF-4, some 62 percent of pledges are in currencies other than U.S. dollars. Of these, some are settled in annual cash installments over the four years of the replenishment cycle, but 76

percent of non-U.S.-dollar pledges to GEF-4 have been met through the deposit of promissory notes. The percentage of resources subject to currency risk steadily declines as cash is received.

In the Trust Fund, a reserve has been set at \$45 million to guard against risks on committed GEF resources for projects. This represents about 1 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 the GEF's total resources available for grants and is not identified in the replenishment. In this, the GEF differs from the International Development Association, where the level of the reserve is clear in the replenishment statement. It should be noted that the percentage of total contributions to GEF-4 subject to currency risk in the current payment schedules will remain considerable in the coming years: 36 percent in 2010, 26 percent in 2011, 19 percent in 2012, and gradually going down to 1 in 2016.

At the second meeting of the fifth replenishment, participants agreed to the Trustee's proposal for foreign exchange risk management. The options

presented by the Trustee included disbursement in other currencies, but this option was not adopted. Many projects may not complete implementation until eight or nine years after they were designed. Except for the current volatile period, the purchasing power of the U.S. dollar 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.

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 Trustee requires that there be 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, 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 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 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.

Consequently, when no uncommitted and unreserved funds are available in the GEF Trust Fund, the PIF process must stop; this happened in the summer of 2009. It seems a harsh measure for a process that 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 yet legal obligations — could, to some extent, be made on payments to be received which are not yet in the fund, but are somewhat certain. Because not all payments will eventually materialize, arrears are a reality and have, over time, amounted to 18 percent of the replenishment; also, currency exchange risks pose a challenge. Nonetheless, in principle, a proposal could be developed to shift the burden of the preparatory process toward funds to be received. 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 that is not active; it is not used to provide a guarantee for implementation funding, but kept in waiting for that moment to arrive.

Changing the way that PIFs block funds in the Trust Fund should be decided by the Council. However, the Trustee can and should develop proposals to address this issue in a financially sound way. The Trustee is also preparing proposals for the replenishment process that address the following:

- Separating currency risks from other risks
- Providing more information and clarity on uncertain commitments, such as arrears
- Providing strong recommendations to donors to commit in U.S. dollars (although some are constrained by legislation from doing so), as France and Germany have done in GEF-4
- Adjusting payments through promissory notes to denominations in U.S. dollars

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 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.

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.

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 the GEF CEO.

## RESOURCE MANAGEMENT IN THE PARTNERSHIP

Currently, the GEF does not have a full overview of the way in which resources are managed throughout the partnership. Each partner has its own procedures, staff, internal rules and regulations, and way of doing business. This is not necessarily a weakness. The GEF forms a partnership in which it is recognized that the respective roles of national governments, the GEF Agencies, the GEF Secretariat, and the GEF 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 to GEF funding, and greater initiative by the GEF Secretariat, roles have been shifting. Whether these roles are now most efficiently managed is the question

to be investigated. While two-thirds of government respondents to the stakeholder survey questionnaire believed the GEF was efficient in managing resources, only one-third of Agency or Secretariat respondents shared this view.

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 memorandums 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 the Council.

The services provided by the World Bank to the Secretariat and the Evaluation Office range from legal and human resources to administrative and information technology support. The evidence from the UN agencies in Rome — the Food and Agriculture Organization (FAO), the International Fund for Agricultural Development (IFAD), and the World Food Programme — and elsewhere is that separate establishment or contracting out of such services proves more costly than sharing. Thus, the Geneva-based UN agencies have developed some common services. The GEF is also seen as a more attractive employer because its staff are World Bank employees, with all the safeguards and opportunities this entails. The arrangement with the Bank also frees the GEF from having to establish the reserves it would need as a stand-alone employer, saves it investment costs for areas such as information technology systems, and provides it with World Bank-contracted prices for travel.

There is a natural and gradual push toward more independence and a better recognition in the parent institution of the needs of the "child."

This happened to the Global Fund to Fight AIDS, Tuberculosis and Malaria, which, as a result, became independent from the UN, except for its treasury function. The World Bank has, in the past, shown itself to be flexible in adapting its level of involvement in institutional relationships such as with the CGIAR and the Global Fund, but tensions still emerge both on matters of substance and on adaptation of procedures.

With 50 professional staff members, the GEF Secretariat is organizationally split into the Office of the CEO (5 professionals plus the CEO); External Affairs, which deals with communications, country relations, etc. (8 professionals); and Operations and Business Strategy (11 professionals). These latter two units provide GEF governance, develop operational policies and overall strategy, and handle general operational matters. Two focal area units cover Natural Resources (13 professionals) and Climate and Chemicals (12 professionals).

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 it is considered to be part of the core administrative budget of the GEF.

The **World Bank's** technical capacity on the environment is located within the Sustainable Development Department, which also includes important environmental 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 the individual country level. The coordination function is assigned

at the 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 are employed on normal Bank terms.

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 a resource management officer). The seven regional coordinators split their time on GEF and other Bank-related activities, depending on their portfolio; 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 members work for a project or are covered by project budget lines.

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.

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 is of a different nature than the budgets for the Secretariat, the Evaluation Office, and the STAP.

**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 postgraduate degrees in environmental subjects. The regional teams are located in the UNDP regional service centers for each of UNDP's five regions. Within each regional team are one or more 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). Thus, 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 a minimum, one environment focal point who is usually a specialist in some environmental field.

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 national, 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 the United Nations Operations Programme to contract GEF team staff.

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 percent to the country office; 40 percent to the regional team; 10 percent to the UNDP/GEF central unit; and 20 percent to

UNDP central services for the provision of legal and 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, although the extent to which the costs of any individual staff member are charged to the GEF fee depends on the percentage of his or her time allocated to GEF work, with some members 100 percent dedicated to the GEF and others less so (e.g., administrative or financial staff in a country office may spend only 5 percent of their time on GEF work).

GEF-funded projects follow standard UNDP procedures, to which additional GEF-specific requirements, such as project-level rather than program-level evaluations, are added. Beyond 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. The United Nations Operations Programme is used for project implementation/execution in the case of regional projects and for countries where national execution is not possible.

**UNEP** maintains a separate Division of GEF Coordination, headed at the 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 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 percentage split between preparation and implementation at the portfolio level; it is moving toward a focal area cost center approach.

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 environmental expertise and provide technical and execution services to selected GEF projects, which are 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 by/contracted to external specialized technical partners or national governments (about 30 percent of the portfolio is directly executed by governments).

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 central point for discussion and global governance of global policy and strategy for the environment and its coordination role vis-à-vis the environmental conventions.

The **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. The STAP budget is transparent and is part of the core administrative budget of the GEF.

The **regional development banks** operate in many ways similarly to the World Bank and, of course, have an important country presence in their respective regions. The **United Nations Industrial Development Organization (UNIDO)**, **FAO**, and **IFAD** have coordination officers for GEF (in FAO's case, two full-time professionals; UNIDO and IFAD have one each). Project preparation and implementation follow standard organizational procedures, except insofar 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 presence is very limited; IFAD's country-level presence is limited to a few national liaison officers.

## FIDUCIARY STANDARDS

The approval by the GEF in June 2007 of comprehensive fiduciary standards for its 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 address a number of areas that would not normally be regarded as fiduciary (e.g., project appraisal and evaluation). They also are prescriptive on some matters, such as audits, where the letter of the requirements was based on World Bank and U.S. practice, rather than a wider acknowledgment of international best practice.

To assess Agency implementation of these standards, the GEF commissioned an independent report by PricewaterhouseCoopers (PWC 2009). The report, presented to the GEF Council in June 2009, found a more flexible interpretation of the letter of the fiduciary standards in such areas as project appraisal processes and audit standards. For example, the UN system is adopting International Public Sector Accounting Standards, which was not

referenced in the GEF standards; also, the standards specify that the external auditor be a commercial firm rather than the public government auditors normally used in the UN system. The report also noted the following, among other consideration:

- There were variations in interpretation from Agency to Agency as to should be required to meet the standards.
- Some standards specifically cited the applicability to processes related strictly to GEF funds, while others applied more broadly to the organization as a whole. Agencies questioned the relevance of these requirements beyond those processes that affect GEF funds.

In addition, Agencies have questioned the cost of reporting on adherence to the fiduciary standards for those Agencies that only have a small amount of GEF business. Agencies that 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.

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 compromising the intent of sound fiduciary management practices. This recommendation was not followed up on by the Council in its June discussion.

## FEE STRUCTURE

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 10 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 9 percent had been applied to medium- and full-size projects, plus a corporate budget of approximately \$3 million per year paid to each of the three Implementing Agencies (UNDP, UNEP, and the World Bank) 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 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.

Table 4.3.1 compares data on overhead costs and fees in several organizations. Such data can be misleading, as costs vary with what is internalized or externalized in the project overhead cost/fee or charged directly to the project budget. In the UN

**TABLE 4.3.1 COMPARISON OF PROJECT FEES/OVERHEADS**

ORGANIZATION	PROJECT FEE/OVERHEAD (%)
United Nations	13.00
Conservation International	13.20
National Wildlife Federation	15.30
Environmental Defense Fund	17.20
World Wildlife Fund	17.30
Friends of the Earth	18.40

Source: U.S. Office of Personnel Management, Combined Federal Campaign 2003, <http://opm.gov/cfc/accountability/audits.asp>.

Note: For some organizations, the numbers shown are the percentage of fundraising and administrative costs as a percentage of total revenue, rather than fees. Thus, the data are not strictly comparable.

system's 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 other costs appear separately, but the technical support is generally greater than that offered by the UN system within the overhead fee. Another difference in the way in which UN agency fees are applied versus 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 clear, however, is that the GEF 10 percent — of which 9 percent is intended to cover management costs of projects — is not *prima facie* excessive.

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 \$7.04 million and that for the international financial institutions (IFIs) as a group is \$6.89 million. The World Bank and other IFIs generally manage these projects as part of larger interventions, for which a substantial part of the funding comes from their own resources. UNDP has an average project size of \$2.36 million and has to actively seek cofinancing to a much greater extent than the IFIs, as do UNEP, with an average project size of \$1.47 million, and the UN specialized agencies, with an average project size of \$1.45 million.

This variation is also reflected in project type, with UNEP and, to some extent, UNDP concentrating on medium-size projects and enabling activities by number but their projects by value still concentrated more toward full-size projects, albeit of a smaller average size than the World Bank. The World Bank and the IFIs in general, have a small

**TABLE 4.3.2 AVERAGE PROJECT SIZE BY AGENCY, CUMULATIVE TO JUNE 2008**

AGENCY	AVG. PROJECT SIZE (MIL. \$)
Overall average	3.73
World Bank	7.04
UNDP	2.36
UNEP	1.47
Asian Development Bank	5.21
UNIDO	1.37
IFAD	4.56
Inter-American Dev. Bank	3.67
European Bank for Recon. & Dev.	9.28
FAO	3.55
Average for IFIs	6.89
Average for specialized agencies	1.45

Source: Calculated from GEF 2009a, table 1.1.

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.

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.

A further element, which can be overlooked in this discussion, is the technical support the Agencies are expected 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 \$3 million per Agency. This was addressed under the new system, by adding 1 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 environmental 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 and partly because, in UNEP, a firewall has been created between the GEF operating unit and the rest of the organization). If such roles are to be enhanced — for example, in relation to support to the focal point and planning authorities by UNDP and the World Bank with their country presence or articulation of the requirements of or response to the conventions by UNEP — it cannot necessarily be absorbed in the present fee structure.

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 9 percent of project costs plus a \$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 10 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 back-stopping), UNEP and the UN specialized agencies find that their total costs are not being met.

The 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. Given the role the 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

OPS4 undertook an effort to compare costs, some cost metrics (especially the “efficiency ratio” used by some organizations),<sup>1</sup> and lessons about relative costs between the GEF and four other funds and facilities. This discussion 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 with 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.

After a preliminary review of 10 organizations, five were chosen for further study: the GEF; the Global Fund to Fight AIDS, Tuberculosis and Malaria; the GAVI Alliance; IFAD; and the World Bank Climate Investment Funds (CIF).<sup>2</sup> Each organization was chosen for a different reason. In some cases, there were similarities with the GEF — although, of course, none of the funds or facilities selected is

- 1 The efficiency ratio is the ratio of administrative plus 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.
- 2 The CIF consists of two separate funds: the Clean Technology Fund and the Strategic Climate Fund.

exactly the same as the GEF in terms of mandate, structure, or financial practices. In some cases, specific differences from the GEF — scale of operations, for example — were a factor in the choice.

**IFAD** was selected because it is a special-purpose fund that, in 2008, had a budget relatively similar to that of the GEF. 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.

The **GAVI Alliance** was selected because it is a special-purpose fund like the GEF with an annual budget that was relatively similar to the GEF's in 2008. However, its governance, mode of operations, and relationships with stakeholders (both donor and recipient) are different from the GEF's in ways that might suggest lessons about relative costs. For instance, its use of joint pay schemes and incremental incentive schemes are intended, among other goals, to increase its relative costs.

The **CIF** was selected — despite the fact that it is new and therefore still evolving rapidly — because its field is climate change, one of the focal areas of the GEF, and because it is administered by the World Bank. The CIF intends to commit large sums of money over the next three years with what is presently a very small secretariat; therefore, its concepts and plans might provide useful with regard to relative costs.

The **Global Fund to Fight AIDS, Tuberculosis and Malaria** was chosen because it is a special-purpose fund with three focal areas. 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 GEF-5. Also, 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.

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 from Web sites, including annual reports, budgets and work plans, and evaluations. Such information tends to be partial and 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.

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.

The GEF has a mandate to serve all countries that are signatories to various environmental conventions. The CIF, in contrast, targets far fewer countries. As shown in table 4.3.3, the funds/facilities in the sample have widely varying numbers of grant recipients; 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 CIF targets far fewer countries, which probably contributes to lower program delivery costs.

Different organizations regard different services as integral to delivery of their program. Related to the issue of grant size, there may be cost efficiencies

**TABLE 4.3.3 NUMBER OF COUNTRIES RECEIVING GRANTS/CONCESSIONARY LOANS FROM VARIOUS FUNDS/FACILITIES**

FUND/FACILITY	NO. OF RECIPIENT COUNTRIES
GEF	160 (100%)
IFAD	140 (88%)
GAVI Alliance	72 (45%)
Global Fund	140 (88%)
CIF: Clean Technology Fund	20 (13%)
CIF: Strategic Climate Fund	9 (6%)

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 which 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 grant size, program-based funding being typically comprised of fewer and larger grants. General budget support is an example. A recent study of general budget support by a consortium of donors considers the cost efficiency of the instrument, among other things (IDD and Associates 2006). The CIF's Strategic Climate Fund supports broad country-based programs. Similarly, one of the windows of the GAVI Alliance, Health Systems Strengthening, 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.

**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- 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.<sup>3</sup> The GEF Evaluation Office study of the Small Grants Programme noted that the degree to which the organization emphasizes capacity building of the grantee organization affects management costs, but the study did not attempt to quantify the effect of capacity building on administrative and program delivery costs (GEF EO–UNDP 2008).

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.<sup>4</sup> 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 outpost-ing two country program managers or the use of proxies) had positive effects, but that data on costs were limited. Since that evaluation, IFAD has signed a framework agreement with UNDP and FAO to strengthen its country presence. It plans a self-assessment of its country presence practices in 2010 and presentation of a country presence policy to its executive board in 2011.

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

<sup>3</sup> See, for example, Watson (2006).

<sup>4</sup> See, for example, the World Bank's studies of its experience in decentralizing its country programs in the late 1990s: World Bank (1997), (2005a), and (2005b).

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.

Three special-purpose funds/facilities with roughly similar total budgets in the period 2008–09 had similar efficiency ratios. To put the point another way, the differences between the efficiency ratios are small, and our data are not yet to a sufficient depth to tell whether they are significant. They are clustered in the 12–15 percent range (table 4.3.4).

**TABLE 4.3.4 EFFICIENCY RATIOS**

FUND/FACILITY	TOTAL BUDGET (MILLION \$)	EFFICIENCY RATIO (%)
GEF (2008) <sup>a</sup>	662.7	12.3
IFAD (2008)	796.6	14.7
GAVI Alliance (2009)	723.0	12.2
Global Fund (2006)	1,902.0	4.0

Note: Efficiency ratios are calculated as the ratio of internal expenses to total expenditures.

a. Administrative costs as a percentage of total GEF grants were estimated to be 12.91 percent in FY 2009 and were expected to be 13.3 percent in FY 2010 (GEF 2009c, table 6). Over the past 10 years, the ratio has varied between 12 and 14 percent with one spike to 16 percent in 2002 (GEF 2009c, figure 1).

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 with 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

members); GEF contracts out implementation. Both have similar efficiency ratios once administrative/delivery fees are taken into account. The implication may be that the GEF could bring more implementation responsibility in-house without being less cost-efficient.

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. There is at least one case that supports the idea of economies of scale in granting operations. The Global Fund 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.

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 studied the management costs of the Small Grants Programme (Negi 2007). SGP grants 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 study concluded that programs “that award larger grants are likely to have lower management costs due to lower transaction costs per dollar of grants made” (Negi 2007, p. 7).

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 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 of project approval (CIF 2009). Other organizations, including the GEF, award project preparation grants, thereby externalizing some costs that might otherwise be incurred in the internal budget.

Several other factors, noted below, influence costs. A preliminary examination of these did not reveal major differences either in approaches or costs.

- 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; that is, 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 IFIs 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 up-front contributions** from donors could be more cost-efficient than those 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.



An illustration of a construction site. In the foreground, a woman wearing a white long-sleeved shirt, tan pants, and a red hard hat stands holding a large clipboard. To her right, a man in a white shirt and dark cap is kneeling, using a yellow measuring tape on a green landscape. In the background, another worker is visible near a line of green trees. The scene is set against a light, hazy sky. On the far left, a vertical strip shows a sunset over a body of water with dark silhouettes of trees.

**GOVERNANCE AND  
PARTNERSHIPS**

# GOVERNANCE AND PARTNERSHIPS

The **governance** issues raised in this section mainly derive from the independent governance review commissioned by the Fourth Overall Performance Study (OPS4) to prevent the conflict of interest that would emerge if the Evaluation Office of the Global Environment Facility (GEF) were to evaluate the GEF Council. On the **partnership** issue, evidence from the independent governance review and the OPS4 team is presented jointly.

## Conclusions

- The GEF scores very well in terms of transparency and relatively well in terms of voice and representation compared with other international organizations. The governance model seems adequate for fulfilling most of the tasks assigned by the GEF Instrument, and compares relatively well with other organizations in terms of representation, transparency, and—to some extent—effectiveness.
- By meeting only once every four years, the GEF Assembly currently does not fulfill its potential ability to enable all GEF members to participate in key decisions concerning the GEF.
- The constituency system of the GEF Council presents difficulties for developing countries due to the lack of clear guidelines on how constituencies are formed, how they operate, and how Council members and alternates should be selected and rotated.
- The GEF is in line with current practice among 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. GEF governance 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 GEF Chief Executive Officer (CEO) and Evaluation Office Director by the GEF Council. The lack of division between governance and management is exemplified by the involvement of the CEO in governance issues (as chair of the Council) and the involvement of the Council in management issues.
- There are considerable strengths in the GEF partnership model, but the fast pace of changes in recent years in the GEF has caused tensions among between the GEF Agencies and the GEF Secretariat, and between the Agencies and the 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.
- 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, as the commissioner is perceived as not being sufficiently independent of the CEO.
- There is no institutionalized process of self-evaluation for the Council.

### Recommendations

- **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 change will require an amendment of the Instrument.**
- **The current problems faced by constituencies should be addressed as a key factor in improving sense of ownership, especially among developing country members.**
- **During GEF-5, the Council should lead a discussion on how to better separate governance and management functions, roles, and responsibilities between the Council and the CEO/chair.**
- **Apart from issuing 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 on roles and responsibilities, and this effort needs to be encouraged. The Council should take responsibility for guiding the partnership in the direction it envisages; the independent consultant recommends that the Council devote a one-day session to partnership issues.**
- **An institutionalized process of self-evaluation for the Council should be developed over time.**

## GOVERNANCE REVIEW OF THE GEF

For OPS4, the independent consultant Carlos Pérez del Castillo reviewed the governance of the GEF, with a special focus on the functioning of the GEF Council. Pérez del Castillo has been a senior diplomat from Uruguay involved in international trade negotiations; he recently served as the team leader for governance issues in the independent external evaluation of the Food and Agriculture Organization of the United Nations (FAO). The GEF Council agreed to this independent study to avoid the conflict of interest inherent in having the GEF Evaluation Office evaluate the Council, to which it reports and from which it receives its budget. The full report, "Governance of the GEF" (Technical Document #5) is available on the GEF Evaluation Office Web site ([www.gefeo.org](http://www.gefeo.org)) and the OPS4 CD-ROM. The report was based on a combination of literature and document analysis, interviews, a survey, and direct observation of a Council meeting.

The independent consultant looked at the governance of GEF, its institutional structure, and its functions and processes. The objective was to assess whether the GEF governance system is adequate and in line with international standards. The composition, role, and performance of the governing bodies were examined, including

- how the governing bodies reflect the interests of the membership as a whole;
- how transparent, efficient, effective, and accountable the decision-making process is;
- how governance functions compare with those of other intergovernmental organizations (17 comparable organizations were examined in this regard);
- the governance role of the various actors;
- the relationship between governance and management;
- whether GEF governance is equipped to respond to the realities and challenges of the 21st century.

## DEFINITION AND ARCHITECTURE

While there is no unique, formally agreed-on 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, fixing clear strategic directions, setting priorities, 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.

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, 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 (IMF IEO 2008; Martinez-Diaz 2008). 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.

As the financial mechanism for four international environmental conventions (on 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. The GEF collaborates closely

with other treaties, protocols, and agreements. The architecture for GEF governance is set forth in the *Instrument for the Establishment of the Restructured Global Environment Facility* (GEF 2008b) and consists of the Assembly, the Council, the Secretariat, the Implementing and Executing Agencies, and the Scientific and Technical Advisory Panel. The Assembly and the Council are the governing bodies empowered to make decisions. The others, while an integral part of governance, have only an advisory role.

The **Assembly** is the highest political body of the GEF; representatives of all 177 member countries participate in the Assembly. 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, 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.

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 conduct business by mail. Each constituency nominates a Council member and alternate, who serve for periods set by each constituency. They may be reappointed by their respective constituency.

The Council is attended by representatives of the conventions, the GEF Agencies, the GEF Evaluation Office, the Scientific and Technical Advisory Panel, and the Trustee, all of whom have a voice but no vote. The Council also accepts the participation as observers of nongovernmental organizations and representatives of civil society with voice and no vote.

In practice, decision making is by consensus, and the Council has never resorted to voting.

The **GEF CEO** is the chair of the Council and conducts the deliberations on issues related to review and approval of the work program; guidance to the GEF Agencies; 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. A **co-chair** is elected by the Council at every meeting, alternating between donor and recipient countries. The co-chair conducts the deliberations on issues related to Council responsibilities, including appointment of the CEO, approval of the administrative budget, regular evaluation of programs, and relations with conferences of the parties of the conventions.

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/ chair, and ensures that their decisions are translated into effective action. It coordinates the formulation of projects included in the annual work program, oversees the work program's implementation, and ensures that operational policies and strategies are followed. Secretariat support to the GEF Council is considered satisfactory by Council members in terms of providing reliable, sufficient, and timely flow of information.

The **CEO** is appointed by the Council to serve for three years and may be reappointed for an additional three-year period. At its June 2009 session, the Council proposed to change the Instrument to reflect a four-year appointment period with one extension for another four years.

The **GEF Agencies** consist of the three Implementing Agencies that were involved at the establishment of the GEF—namely, the World Bank (which also acts as Trustee and administrative host of the GEF), the United Nations Development Programme (UNDP), and the United Nations Environment Programme (UNEP)—and seven Executing Agencies: the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, FAO, the Inter-American Development Bank, the International Fund for Agricultural Development, and the United Nations Industrial Development Organization. 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.

The roles of the **Scientific and Technical Advisory Panel**, the **Evaluation Office**, and the **Trustee** are described elsewhere in this report.

## GENERAL FINDINGS ON GEF GOVERNANCE

Its 32 members make the GEF Council the third largest board — after those of UNDP (36) and the World Health Organization (34) — of all the other organizations' executive boards analyzed in this evaluation.<sup>1</sup> This large number of members has

1 The World Trade Organization (WTO) was not considered here, since it does not have an executive board like those of the other organizations examined. Rather, decision making in the WTO General Council or other governing bodies always involves representatives from all 153 members.

several 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. However, it does provide for better regional balance in terms of representation and opportunity for members to have their views considered in the decision-making process.

In individual interviews with all Council members and some alternates, 69 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 to achieve agreement on a smaller, more executive, Council. Eighty-four percent felt that no major structural changes in governance should be envisaged but that some institutional adjustments were needed. These reforms should bring improvements to governance without altering the fundamentals of the system.

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. Rather, it means 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 to be legitimate only if they are arrived at through a process of deliberation in which all voices, interests, and concerns can be heard and considered. Good governance should appropriately balance the interests of all members to optimize value.

In practice, there is recognition that donor members — and in particular the larger ones — have a significant influence on governance. This influence is mostly felt through the decisions taken in

the replenishment process. This was confirmed in interviews, which revealed that 74 percent 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.

This trend is considered inevitable by most members, whether donor or recipient. 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 on the receiving end of GEF grants for the financing of important national or regional environmental projects seemed resigned to this reality and are not willing to challenge it openly.

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 meetings. 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 stamping them.

Because the decisions taken in 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 exerted by donors, although the preponderance of the weighted votes has a large influence in decision making, even if no votes are formally cast.

With regard to member voice or representation, it is clear that a board with a one-country-one-vote system — such as those in FAO, UNDP, and the World Health Organization — 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 the World Bank, the International Monetary Fund, and the regional development banks. Their executive boards have a weighted majority voting decision-making process, which is related to the member's share of 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 on 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.

GEF governance can be considered a middle ground 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 guards against powerful minorities pushing through decisions opposed by the majority of members.<sup>2</sup> It balances the power of numbers against the power of financial contributions.

## FREQUENCY OF ASSEMBLY

While the GEF Instrument indicates that the Assembly should meet every three years, in practice it has been convened every four years, 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 the Assembly has delegated most of its powers to the Council. However, this delegation does not imply

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2 The decision taken on the establishment of the Resource Allocation Framework was mentioned as one example of a decision pushed forward by a minority of members without proper Council deliberation.

that the members have abdicated their overall responsibility for stewardship of the organization.

Interviews with GEF Council members and alternates found that 60 percent of GEF Council members (71 percent if only recipient country 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, does not provide strategic direction, has contributed little to GEF governance, and is not cost-effective. The argument made against holding Assembly meetings every two years was the cost. This cost would be offset were the Assembly to play a more effective and constructive role thereby.

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 move to more regular meetings of all GEF members will only be justified if the Assembly, as the highest political body of the facility, reorganizes itself and strengthens its policy and strategic role to contribute to good governance in a cost-effective manner, as well as make active participation by ministers and key stakeholders in the environmental field more attractive. A major redefinition of the Assembly's 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.

One way in which the Assembly could contribute to global coherence in the environmental field would be to serve as the forum for discussion and coordination of all funding devoted to environmental programs and projects. The 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. Its capacity to serve as this unifying link can be exploited to ensure that the conventions act less as isolated silos and more as a coherent system in defense of the global commons.

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 convention guidance with the replenishment cycles, and environmental assistance as a proportion of official development assistance could be addressed at the Assembly. This would require the presence of ministers of economy and finance of member countries and would contribute to better synergies and coordination with other ministers (e.g., of the environment and cooperation) also involved in GEF-financed environmental activities.

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.

Faced with evident fragmentation in world environmental governance, a function that could be explored to give the Assembly a more strategic role in addressing emerging global environmental issues is much closer coordination with UNEP. UNEP and the GEF could prepare joint reports relating GEF-financed activities to global, regional, subregional, and national environmental assessments and contribute to strengthening and building synergies among multilateral environmental agreements.

## DEVELOPING COUNTRY CONSTITUENCIES

The independent governance review found variable performance among the GEF constituencies,

especially regarding developing countries. While a few seem to be working satisfactorily, the majority do not. There was dissatisfaction expressed by the recipient countries in general (74 percent) — and in particular those not sitting in the Council (87 percent) — with the composition, operations, and performance of constituencies. Since all developing countries (except China and Iran) are represented on the Council as part of multicountry constituencies, the practices within constituencies are critical to the quality of the member's representation. Some are too big and ineffective, and member needs are too heterogeneous to formulate a common platform. Other complaints mention the sporadic nature of constituency meetings, inadequate flow of information or consultation among members, an ineffective rotation system, and failure of member needs being taken into account by constituency representatives at GEF Council meetings. They also point out that the money allocated by the GEF to constituencies is not sufficient to perform their role and that they do not get the individualized technical GEF support they require.

Problems faced by developing country constituencies need to be addressed as a key to improving 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 handled. 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 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.

Specific complaints that need to be addressed include the following:

- Constituencies do not meet often enough and do not have a sufficient flow of information among members.
- There are no rules for constituencies.
- Support to constituency meetings from the GEF is insufficient.
- Constituencies rarely make recommendations for setting Council meeting agendas.

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 (Carter and Lorsch 2003). 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, single-country seats should be reviewed. 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.

The independent consultant recommends that the Council establish 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 to expend a Council session by one day, with the support of documentation prepared by the Secretariat in prior consultation with the constituencies.

## GOVERNANCE AND MANAGEMENT

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 exhibits 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.

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 continue to monitor — or at least continue to be involved in — the project cycle of all 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.

While more than two-thirds of Council members are of the opinion that the Council engages in too much micromanagement, an assessment of this result is largely dependent on what countries consider micromanagement to be. For example, many countries consider the time devoted to project appraisal by the Council as micromanagement, while others consider it an essential function of governance as established by the Instrument. Others consider micromanagement to be unnecessary involvement by the Council on issues that should be left to management or that could be entrusted to the governing bodies of the GEF Agencies.

Eighty-seven percent of the members interviewed were satisfied with two annual meetings of the Council and considered this to be adequate for fulfilling 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 explore 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 is not possible, one of the current

Council sessions could be extended by one day. More than three-quarters of the 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.

The separation of functions and the independence of governing bodies from management is currently being implemented as a central feature of governance in United Nations (UN) bodies as well as in a growing number of other international and regional organizations, with the exception of the international financial institutions. Governance not only requires that the board provide guidance to management but also that, as a collective body, it give 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.

In the case of the international financial institutions examined — including the GEF — the actions of the board and the CEO are not easily separable, and decision making is dominated by management issues. In the World Bank, the board's Committee on Governance and Administrative Matters has worked for the last three years to bring the Bank's board oversight and management systems up to 21st century standards, and to get the board more focused on policy and oversight and less on micro-management with broad delegation of authority to management.<sup>3</sup>

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3 Interview with Svein Aass, former chair of the Committee on Governance and Administrative Matters, September 15, 2009.

With the exception of the Consultative Group for International Agricultural Research (CGIAR) and recently the GEF, there is no process for evaluating the CEO or agency head. In the private and nonprofit sectors, CEO performance 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 nonprofit executive boards in the United States follow the same practice (Martinez-Diaz 2008). The GEF has recently adopted this best practice standard.

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, as chair of the Council, the CEO assumes governance functions. One legal argument that has been advanced justifying the necessity for the CEO to chair the GEF Council is the relationship of the GEF with the conventions. Currently, the conventions have memorandums of understanding with the Council, not with the Implementing Agencies or the Trustee. The latter are legal entities; the Council is not, and thus could not sign an agreement with the conventions. The CEO does so on behalf of the Council as its chair. 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 with signing agreements on its 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.

The independent consultant recommends that the Council address this issue in order to prepare the groundwork and make the necessary governance adjustments (including changes in the Instrument), so that the next CEO appointed will no longer act

as chair of the Council. A chair and vice chair, with enhanced functions and roles based on those of the current selected co-chair in each Council session, could be appointed by the Council from among its members for a two-year period. Regular rotation between donor and recipient countries should be envisaged. At the end of the chair's term, he or she could be replaced by the vice chair.

There is no institutionalized process of self-evaluation for the Council, such as the ones that exist in some other boards and councils (for example, CGIAR); this should be developed over time.

## GOVERNANCE AND THE CONVENTIONS

The governance review examined the factors that have impeded better articulation and coordination between the conventions and GEF governance. It recommends that this problem be brought to the attention of the GEF's highest political body — the Assembly, in its new role.

The 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 the GEF as the financial mechanism, or entity operating the mechanism, has raised a number of expectations that, in practice, the GEF has been unable to completely meet:

- GEF resources are too limited to attend to the multiple demands of these conventions.
- 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.
- There is an important divergence of focus between the conventions and the GEF; while the former look at both global and national benefits, the GEF ultimately aims for global benefits.

- Most national governments are not acting in a coherent and coordinated manner in the governing bodies of the conventions and in the GEF.
- The conventions have a limited role and voice in GEF governance.

The independent review found an almost total consensus among the members regarding 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 the GEF, and it requires 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.

The next Assembly in Punta del Este, Uruguay, should incorporate as a priority subject for governmental attention the identification of mechanisms for better articulation and coordination of the conventions into GEF governance. The presence and participation of the chairs as well as of the secretary generals of the conventions should be ensured in order to secure a substantive, high-level discussion by members at the ministerial level. To engage in a meaningful discussion and achieve positive results, the Assembly should focus on the five problems identified above. The full report of the independent review contains proposals on how this could be fleshed out.

## THE GEF PARTNERSHIP

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 the Third Overall Performance Study 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, including the Midterm Review of the Resource Allocation Framework (RAF) (GEF EO 2008), has underscored the difficulties in the system, as have perceptions raised in stakeholder consultations.

The RAF midterm review concluded that the resource allocation system for GEF-4 was too complicated to run in a network organization such as the GEF. A major effort undertaken by the GEF 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 with the number of links. Furthermore, in a network organization where many staff work only part time on GEF issues, institutional memory is not guaranteed.

Other chapters of this report have described tensions among various GEF partners regarding programming and project identification:

- Focal points complain about a lack of support from the Agencies in the pre-project identification form (PIF) phase.
- Agencies and the Secretariat complain about each other's efforts in the PIF phase.

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

- A shift toward greater country ownership subsequent to the Paris Declaration's promotion of harmonization and alignment
- Growing demand for direct access to funding, beginning in the climate change negotiations but now apparent in other negotiations as well

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 input as well.

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 that reach countries, and placed unnecessary pressures on scarce national capacities. The World Bank comes closest to applying its standard procedures for GEF projects. For others, varying extents of additional reporting and evaluation have been required by the GEF. While weaknesses in some Agencies' processes are clear, this may not always be an efficient use of resources for developing countries, which must meet the additional requirements and those of the international organizations.<sup>4</sup>

The country-based strength of the GEF Agencies is not being provided in a joint fashion to assist national focal points and planning authorities in

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4 An example is the individual evaluation of medium-size projects that agencies such as FAO, the International Fund for Agricultural Development, and the World Food Programme are quite deliberately moving beyond as a cost-effective learning or management tool.

developing their programs. Leadership 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 of the Agencies. At the same time, the Agencies have not moved collaboratively to 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.

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.

A further efficiency issue relates to the number of GEF Agencies. About half of the government respondents to the governance questionnaire considered that there should be further diversification in the GEF Agencies. Although a larger number of agencies could provide more choices to countries to implement support, there are 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; and costs to the Trustee in ensuring that data flows into financial systems from the various agencies are compatible. Perhaps most importantly, the greater 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.

The concept of GEF partnership has evolved since the early days through a number of adjustments. Originally, the three Implementing Agencies — in particular, the World Bank — exerted a great deal

of influence in the conduct of business, the design of GEF policies and strategies, and GEF 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 Secretariat and the Agencies emerged.

The tensions among different actors in the GEF network-partnership system have a negative impact on its performance and operations, according to the independent consultant, who recommends that this subject receive urgent governmental attention. The Council should provide orientations as to the specific roles of the GEF Secretariat and the Agencies in a new partnership system. This should take into account the fact that replenishment proposals are now addressing role issues. The independent consultant concludes that the partnership concept continues to be valid and relevant to strengthening the GEF.

The GEF Agencies are part of GEF governance and sit at Council meetings with a 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 simply answering questions when requested to do so, as is the current practice. The seven Executing Agencies seem to be relatively satisfied with their current role in the 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.

The GEF Agencies maintain that the current centralized approach used by the GEF regarding projects and programs is not cost-effective and is counterproductive. They also feel that the Council is too 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 international financial institutions and UNDP for the UN system organizations. Furthermore, one Agency is concerned that the role of Implementing Agencies as advisory bodies to the Council has been eroded.

The Agencies are concerned about the current GEF project cycle. The process takes too long and has high transaction costs. They note that the record shows that for non-GEF-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 is currently done in the Multilateral Fund). The Council should hold 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.

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 attending to the needs of the recipient countries. Furthermore, many representatives of countries in group allocations expressed the sentiment that many Agencies are not interested in supporting them because of the low level of funding.

OPS4 detected no support for the GEF to become an independent agency. The current tensions in the partnership could be reduced if the roles and responsibilities of all actors were clarified with a view to minimizing overlaps and addressing possible gaps. The Instrument provides the possibility for the CEO to convene periodic meetings with the heads of the 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 between the GEF Secretariat and the Agencies has not been able to solve the tensions in the partnership.

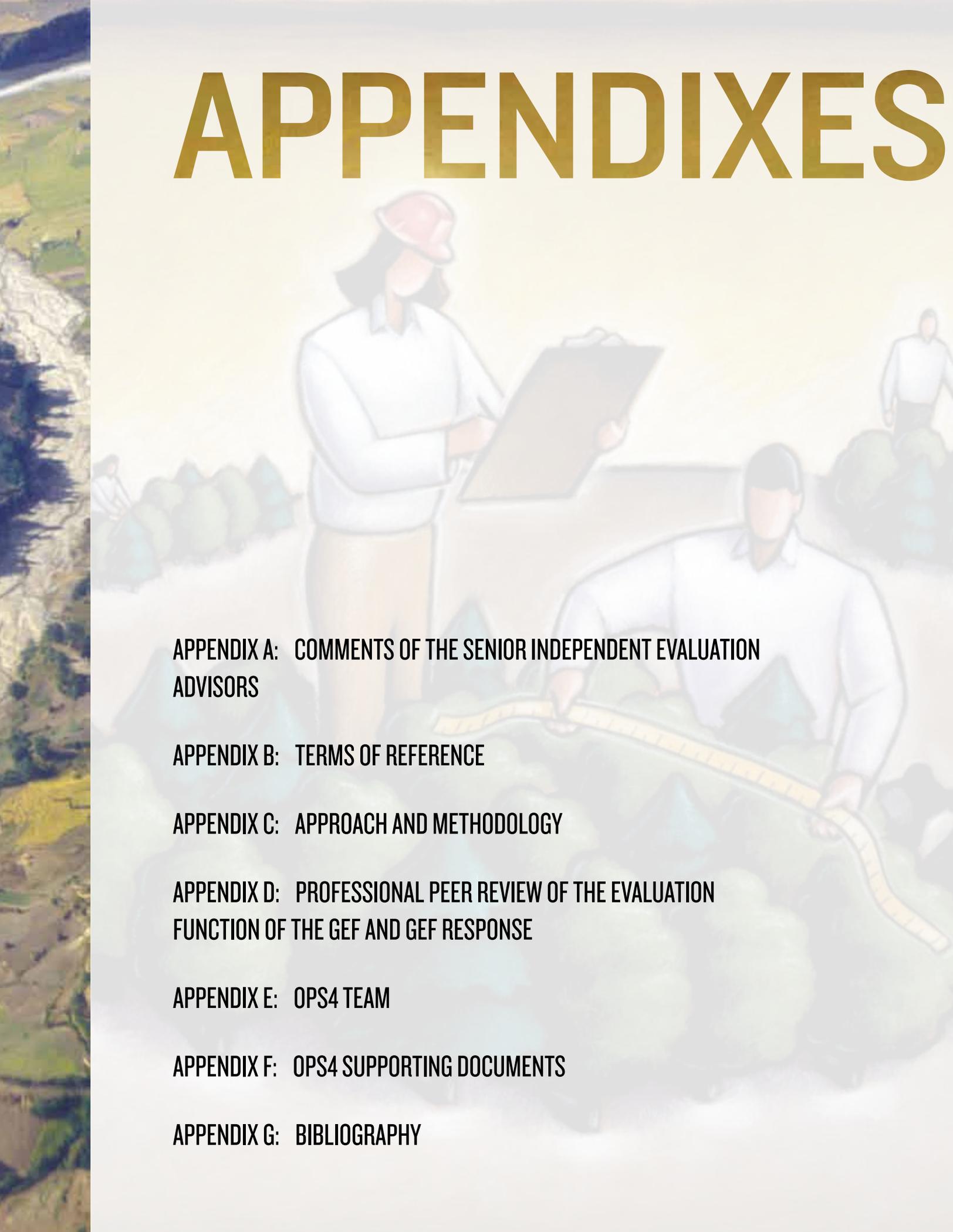
While, tensions in the partnership system are real and may negatively affect performance, they have never been openly discussed in the Council. The replenishment process requested the Agencies to submit an interagency paper providing their views, concerns, and proposals on the GEF's strategic positioning. This paper was presented at the Second Replenishment Meeting in June 2009 (GEF Agencies 2009). The independent consultant recommends that a special Council session be convened to address the issue of tensions among the various actors in the GEF network and partnership. The Council should define and give specific orientations 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 the GEF mandate. This should contribute to restoring the level of trust and confidence and to providing a sense of ownership to all the actors involved.

The issue of the new GEF partnership discussed by the Council, and the most effective role of each GEF Agency in supporting the GEF mandate, could also be addressed by future Assemblies.





# APPENDIXES



**APPENDIX A: COMMENTS OF THE SENIOR INDEPENDENT EVALUATION ADVISORS**

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# APPENDIX A COMMENTS OF THE SENIOR INDEPENDENT EVALUATION ADVISORS

ROBERT PICCIOTTO AND SHEKHAR SINGH

## ABSTRACT

The OPS4 terms of reference were extraordinarily demanding and the time and resources allocated to the review were necessarily limited. Hence it is not surprising that OPS4 could not fulfill all its intended objectives. But the final OPS4 report is highly relevant to the replenishment process. It provides a sobering account of environmental financing trends. Its treatment of GEF's focal area performance record is instructive. It breaks new ground through an innovative evaluation methodology (ROtI) focused on the likelihood of achieving global environmental benefits. Its detailed review of financial management practices and its independent review of GEF's governance arrangements include useful recommendations. OPS4 also identifies communication gaps that hinder GEF's interaction with the conventions and stresses the importance of a portfolio approach to maximize global, national and local environmental benefit. Equally, OPS4 underlines the need for a sharper focus on social and gender issues. Finally, it proposes more organizational learning through knowledge management. These findings and the associated recommendations deserve serious consideration in the context of the GEF replenishment. But given that OPS4 was not mandated to evaluate alternative delivery mechanisms, its advocacy regarding GEF replenishment levels was not backed up by adequate evidence. Equally, beyond reiterating past recommendations, OPS4 did not ascertain how GEF's management of its administrative, human resources and project oriented business processes could be transformed to further improve the efficiency and environmental impact of its operations. Nor did OPS4 face up to the limitations and leniency of outcome and sustainability ratings currently used to track GEF performance under GEF replenishment undertakings - or the need to further improve GEF evaluation practices along the lines we recommended at the interim report stage.

## INTRODUCTION

We were tasked to (i) provide an independent perspective on the findings, conclusions and recommendations of OPS4; (ii) verify the extent to which it has met the terms of reference (TORs) approved by the GEF council on September 5, 2008; and (iii) attest to the quality of major OPS4 products. This note assesses the final OPS4 report (GEF/R.5/18; September 25, 2009) from this perspective. It complements the comments we offered on the interim report (GEF/R.5/Inf.12, June 12, 2009).

To tackle the ambitious TORs of OPS4, the Evaluation Office (EO) relied on a remarkably diverse range of evaluation products — project-level evaluations, country-level assessments and process reviews. Extensive resort to interviews and stakeholder consultations complemented this evidence base and additional country reviews were undertaken over and above sample field verifications of terminal evaluations and “progress towards impact” reports.

Yet, as highlighted by prior EO reports, the quality and relevance of the evaluation building blocks used for OPS4 was mixed given the limited “evaluability” of original project designs; the weakness of their built-in monitoring and evaluation arrangements; the scarcity of verifiable impact indicators; and the limited technical and scientific content of terminal evaluations. Thus, the observations that follow highlight the need for further improvements in the monitoring and evaluation practices used by GEF and its partners along the lines we recommended at the interim report stage.

## ROLE OF GEF

The first cluster of the OPS4 terms of reference called for an examination of the **operating context** — global environmental trends, international architecture and value added of GEF support.

## IMPLICATIONS OF ENVIRONMENTAL TRENDS

OPS4 provides a sobering account of environmental trends especially with respect to climate change but it neglects to draw the implications of the changed international context created by the growing public recognition of climate change as a massive and urgent existential threat.

## ADEQUACY OF FINANCIAL RESOURCES

OPS4 puts forward convincing evidence in support of more funding to tackle global environmental problems (recommendation 1). But its advocacy regarding the level of the GEF replenishment (recommendation 2) is not backed up by adequate evidence since OPS4 did not (and indeed was not mandated to) evaluate alternative channels of assistance.

## CATALYTIC ROLE

Similarly, the evidence linking the effectiveness of GEF’s catalytic role to its funding level (recommendation 4) is not fully convincing. To be sure, GEF has a long track record in catalyzing global environmental initiatives. But strictly speaking, only foundation and demonstration activities are catalytic so that the value added of retaining large investment oriented activities within the GEF tool kit is not self-evident given potential alternatives.<sup>1</sup>

## DONOR FUNDING PERFORMANCE

As acknowledged by the Evaluation Office, the methodology sketched by OPS4 to assess donor funding performance needs refinement since it does not take into account the differentiated

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1 Funds currently used by GEF for investment (about 25% for national projects — OPS4: p.56) could in principle be managed directly by the World Bank and/or regional development banks.

responsibilities of individual countries implied by their respective legacies of environmental damage.

## INTERFACE WITH NATIONAL PRIORITIES

In order to facilitate the “greening” of national development policies, we fully support the need to strengthen the social and gender dimensions of GEF interventions and the need for more adaptive project implementation practices connected to changes in the operating environment (recommendation 7).

OPS4 also recommends GEF support for the creation of GEF National Committees and GEF business plans. But unless such actions are meant to replace GEF’s project approval process by a program funding approach (still untested) the proposed approach could increase transaction costs and add yet another bureaucratic hurdle for recipient countries.

Improved environmental programming at country level is a legitimate goal but capacity building for environmental programming would best address the full gamut of environmental activities at country level.

## RESULTS

The second cluster of the TORs aimed to help ascertain the **concrete, measurable and verifiable results** achieved by GEF, i.e. the global environmental benefits of its interventions.

### NEED FOR SCIENTIFIC EVIDENCE

GEF lacks the scientific and empirical evidence that would demonstrate that up-scaled action geared to the generation of global environment benefits is actually catalyzed by its interventions. This is because GEF project designs rarely include the tracking instruments needed to monitor and

measure such effects at project end. Nor, beyond anecdotal evidence, is the “greening” of projects sponsored by the implementing agencies systematically and rigorously traced to GEF. Consequently, OPS4 could not demonstrate conclusively the extent to which GEF’s catalytic interventions have been successful. This should be remedied, starting with GEF5.

### FOCAL AREA ASSESSMENTS

Within the above limitations, Chapters 3.2-3.6 are very informative. They identify plausible drivers of project success and provide judicious lessons of experience.<sup>2</sup> Accordingly, they make a distinctive contribution to corporate learning and provide interesting analyses of GEF’s linkages to conventions. They are refreshingly forthright and provide ample evidence that the road from project level outcomes to global environmental impacts is long, hazardous and poorly marked.

### BRIDGING THE ROTl-COMPLETION RATINGS DISCONNECT

In particular, the focal area assessments make ingenious use of a new and promising methodology (the Road from Outcomes to Impact or ROTl). This evaluative instrument was introduced by EO to help identify the distinctive accountabilities of GEF partners in the achievement of agreed global environmental benefits. While still experimental,<sup>3</sup> ROTl reveals that only 39% of the projects display solid progress towards impact. By contrast, GEF’s annual

- 2 Cross-cutting themes could have been identified more explicitly and more explicit attention to the interface among focal areas would have illuminated the comparative advantage of multi-focal and regional projects. We also missed an evaluative assessment of the balance struck by GEF among the focal areas, regions and countries.
- 3 The validity of ROTl estimates can only be rigorously ascertained from field testing of project impacts many years after terminal evaluation. Such scientific investigations have yet to be funded as an integral part of GEF project designs.

performance reports show a share of satisfactory outcome ratings of 80% and a share of sustainability ratings of 58% for the OPS4 reporting period.

Given what completion ratings are in principle expected to measure,<sup>4</sup> we do not endorse the OPS4 assertion that implementing agencies only aim at evaluating the impact of their operations through counterfactual methods. Indeed, we hold the view that, taken together, outcome and sustainability ratings were always meant to estimate the likelihood of achieving positive global environmental impacts — but that terminal evaluations have minimized post-implementation risks. Looking ahead, the current disconnect between ROTl estimates of “solid progress towards impact” and annual performance review ratings should be tackled through methodological harmonization and more rigorous GEF quality control using ROTl.<sup>5</sup>

## TRACKING GEF'S IMPACT

It follows that we fully support the proposed integration of the new methodology in the Results Based Management system for GEF-5.<sup>6</sup> In the

- 4 Taken together, outcome and sustainability ratings are supposed to capture operational impacts. A satisfactory outcome means that relevant project objectives are expected to be achieved with no, minor or moderate shortcomings at the time of evaluation. A likely sustainability rating means that the project is considered likely to generate continued benefits after project implementation — with no or only moderate risks.
- 5 Our spot checks confirmed that the performance ratings produced by the implementing agencies are lenient and not always consistent or of high quality across evaluation units. They do not capture effectively cross border impacts or interactions among focal areas and do not systematically rate the creativity, innovation or up-scaling potential of projects or the efficiency of GEF processes. More rigorous verification of ratings by EO is needed through ROTl methods and increased resort to field performance audits.
- 6 The distinction that OPS4 draws between attribution and contribution is useful since it highlights the primary responsibility of governments and implementing agencies for achieving results. But the report does not rate the relevance, efficacy and efficiency of the GEF

meantime we recommend that the performance targets included in future GEF replenishment agreements should focus on “solid progress towards impact” measures carried out by EO.

## EMULATING GOOD EVALUATION PRACTICE

Still looking forward to GEF5, we recommend that EO should emulate the good practices of other evaluation units including (i) providing explicit ratings for the creativity, innovation and up-scaling potential of innovative projects and distinguishing between agency and partners' performance ratings and outcome ratings;<sup>7</sup> and (ii) assessing results at the higher plane of country environmental strategies in consultation with its partners.<sup>8</sup> Such evaluative practices would generate improved incentives to achieve results and in conjunction with ROTl encourage closer and more effective partnerships by attributing results to the actions (or the inaction) of individual partners.

## TOWARDS COUNTRY-LED AND JOINT EVALUATIONS

Finally, we reiterate our interim report recommendation that GEF should join hands with its partners to implement country-led and joint evaluations of country environmental strategies in order to

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contribution. Since outcomes and impacts result from the actions of many actors their distinctive accountabilities for results ought to be rated separately.

- 7 International Fund for Agricultural Development, Office of Evaluation, *Evaluation Manual: Methodology and Processes*, Rome, 2009 (p.11).
- 8 In development evaluation the gap between evaluation ratings at project and country levels (the “micro-macro paradox”) has induced a shift to a higher evaluative plane: country assistance strategies have replaced projects as privileged units of account. See World Bank, Independent Evaluation Group, *Annual Review of Development Effectiveness: Shared Global Challenges, 2008*, World Bank, Washington DC, 2008 (p.17). For GEF, on the other hand, country portfolio evaluations have a restricted focus and do not evaluate the performance of implementing agencies.

improve the coherence of global, national and local environmental action and to reduce the administrative load of evaluations as prescribed by the Paris Declaration and the Accra Agenda for Action.

## RELEVANCE OF THE GEF

Under the third cluster, the terms of reference tasked OPS4 to assess the **relationships between GEF, the conventions and recipient governments' policies**.

### LINK TO CONVENTIONS

Chapter 2.3 notes that the guidance is voluminous, cumulative, often ambiguous and sometimes directed to the Parties rather than to GEF. Nevertheless, it concludes that the general policy directions embedded in convention guidance are relatively clear. Yet one third of respondents to a survey consider that GEF has not been responsive to convention guidance.

These perceptions are attributed to the tensions among interest groups; inadequate dissemination of information about GEF's mandate and resources; basic policy differences (e.g. "incrementality," co-financing, RAF); lack of congruence between the replenishment cycles and the convention calendars; and inadequate funding allocations for communications to the conventions of some countries.<sup>9</sup>

The recommendations under this heading are sensible (e.g. better reporting to the conventions; direct feedback from the conventions to the Council; etc.) but the prioritization of guidance recommendations at national level is not adequately documented and it is not entirely clear how COP guidance should be treated in future project completion reports or what

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9 The well-known dissatisfaction of the UNFCCC with GEF could have been analyzed in greater depth since it goes well beyond a problem of inadequate communication.

clarification of roles is needed between STAP and the convention secretariats.

### LINK TO RECIPIENT GOVERNMENTS

As to the relevance of GEF to national policies, it is treated lightly. Yet, country ownership is of critical importance to the sustainability and replication of GEF operations and there are inevitable tensions between national and global environmental priorities.

## PERFORMANCE ISSUES AFFECTING GEF RESULTS

### GOVERNANCE

Under the fourth cluster, OPS4 was expected to ascertain whether GEF's **governance** system is "adequate and up to international standards." The recommendations of the senior independent consultant are sensible and suitably tailored to the evidence. One notable finding is that the lack of broad based understanding of operating policies continues to undermine the quality of GEF partnerships: many Parties consider co-financing as conditionality to access GEF funding and the Resource Allocation Framework as well as the incremental cost principle continue to be divisive and hard to implement equitably.

### OTHER PERFORMANCE ISSUES

The TORs required OPS4 to include an update regarding GEF's **resource allocation framework (RAF)**. In this connection, as noted in Section 1, OPS4 stood by the findings of the RAF mid-term review. As for the review of GEF's **efficiency and cost effectiveness** it was not carried out by focal areas, agency and modality as envisaged in the TORs and the cost comparisons with other agencies that were attempted proved partial and inconclusive. Nor were systematic efforts made to relate cost comparisons to the comparative advantage of

implementing agencies or to estimate the impact of project cycle and co-funding reforms on GEF efficiency as required by the TORs.

The extent to which GEF's **composition, structure and divisions of roles and responsibilities** help to meet its mandate, operations and partnerships were not evaluated as prescribed by the TORs. The TORs had also inquired as to the extent to which GEF succeeded as a **learning organization** including state of the art science and technology. In this connection, the findings of Chapter 4.2 are sound and its recommendations unexceptionable albeit rather general (improved knowledge management; a more strategic STAP, etc.) and the chapter fails to pinpoint the responsibility for slow utilization of

past corporate evaluations with respect to business processes, partnership quality and resource allocation protocols.

## RESOURCE MOBILIZATION AND FINANCIAL MANAGEMENT

The final and fifth cluster of the TORs asked how effective has GEF been in mobilizing and managing its human, financial and administrative resources. Chapter 4.3 is largely descriptive with respect to human resources and administrative aspects but it does add significant value through its detailed assessment of trust fund management, fiduciary standards and fee structures.

# APPENDIX B TERMS OF REFERENCE

Following are the July 17, 2008, terms of reference for the Fourth Overall Performance Study (OPS4) of the Global Environment Facility (GEF). The terms of reference were approved by the GEF Council on September 5, 2008. The version that follows was edited for this publication.

## INTRODUCTION

The Global Environment Facility (GEF) is a mechanism for international cooperation to provide new and additional funding to meet the agreed incremental costs of securing global environmental benefits, working in partnership with GEF Implementing Agencies (UNEP, UNDP, and the World Bank), seven Executing Agencies, national governments, and civil society. More information can be found at its Web site: [www.thegef.org](http://www.thegef.org).

The GEF is replenished by donors every four years. All replenishments have been informed by “overall performance studies”, which have provided an independent assessment of the achievements of the GEF up to the time of the study. The Third Overall Performance Study was presented to the replenishment process in June 2005 and was an official document of the Third Assembly of the GEF in Cape Town, South Africa, in August 2006. The Assembly requested the Council at that occasion to ensure the preparation of a fourth overall performance study of the GEF for submission to the next assembly meeting.<sup>1</sup>

The GEF Evaluation Office proposed to Council in its Four-Year Rolling Work Plan and Budget for fiscal year 2008 in June 2007 to undertake the Fourth Overall Performance Study (OPS4) as part of its regular work program. Council approved the principle that OPS4 would be managed and implemented by the Evaluation Office, except for study components where this would pose a conflict of interest.<sup>2</sup>

The Work Program contained a plan for OPS4 which included issues that should be evaluated by experts from outside the Evaluation Office, to minimize conflicts of interest. Three areas of work fall in this category: 1) an assessment of stakeholders’ perceptions and opinions; 2) case study evaluations of the governance of the GEF, the Trustee, and the GEF Focal Points; and 3) an assessment of the GEF M&E system. In addition, the Office proposed to set up a quality assurance mechanism (through the appointment by Council of quality assurance advisors).

The Work Program for fiscal year 2009, presented at the GEF Council meeting in April 2008, contained a more elaborate proposal for OPS4, on

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1 Chair’s Summary of the Third GEF Assembly, Cape Town, South Africa, August 29-30, 2006, paragraph 12.

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2 Joint Summary of the Chairs, GEF Council Meeting, June 12-15, 2007, paragraph 14.

the basis of preliminary work done in the previous months. The Office proposed to Council to prepare an approach paper for OPS4, which would be published on its website, and solicit comments and suggestions from stakeholders. On the basis of these, draft terms of reference would be sent to Council, for a round of comments and suggestions. This should then lead to proposed final terms of reference, which would be sent to Council for approval by mail before July 2008. Council decided accordingly.<sup>3</sup>

The Fourth Overall Performance Study will ensure a broad and representative perspective on the achievements and challenges in the Global Environment Facility. An approach paper has been prepared to facilitate a first interaction with stakeholders on the key questions and methodology for OPS4. This paper was published and widely distributed on May 7 2008. Reactions, suggestions and comments were received from 18 parties: 9 from representatives of member countries; 3 from individuals; 3 reactions from within the GEF; 1 from a convention secretariat; 1 from an NGO and 1 from an Evaluation Office of a GEF Agency.

These comments and suggestions were taken into account in this first draft of the terms of reference of the Fourth Overall Performance Study, which was presented to Council Members and Alternates on June 17. The evaluation matrix has been expanded to provide information on targets and indicators for the subquestions of OPS4, where possible, and where these targets and indicators are not yet available, the description how they will be derived in the process of undertaking OPS4. Comments and suggestions were received from five members. They have been incorporated into these final Terms of Reference.

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<sup>3</sup> Joint Summary of the Chairs, GEF Council Meeting, April 22-25, 2008, paragraph 37.

These terms of reference indicate a highly ambitious Fourth Overall Performance Study. However, this level of ambition is possible because OPS4 will build on the evaluative evidence that has been gathered throughout the GEF in the past four years. It will provide a synthetic overview of that evidence and aim to fill in gaps to enable evaluative judgments which go beyond the evaluation reports that were presented to the GEF Council in the past three years.

Many sub-questions require relatively minor work to allow verification and updating of already existing data and analysis. Secondly, OPS4 aims to make full use of evidence and reports produced by others, where this is justified qualitatively in light of the evidence itself and the way it was gathered. Thirdly, the study will follow a phased approach, which will make it possible to start with the most strategic questions and will make it possible to ensure that sufficient time and energy is spent on them, rather than on sub-questions that could potentially be picked up later in the four year rolling work plan of the Evaluation Office in the next four-year period.

## **THE GEF AND OVERALL PERFORMANCE STUDIES: A BRIEF OVERVIEW**

The Global Environment Facility 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, and the United Nations Environment Programme. 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, the Food and Agriculture Organization of the United Nations, and the United Nations Industrial Development Organization. Since 1991, the GEF has provided \$7.6 billion in grants for more than 2,000 projects in over 165 countries.

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 from the Monitoring and Evaluation Unit and later the GEF Monitoring and Evaluation Office (now the GEF Evaluation Office).

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 the 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 reliable process indicators toward achieving future positive environmental impact.

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 layer 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.

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.<sup>4</sup> The world community currently spends approximately \$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 is 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

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4 See Statement of the Director of Evaluation to the Assembly on August 29, 2006, and *OPS3: Progressing Toward Environmental Results, Executive Version*, Foreword (both accessible at [www.thegef.org](http://www.thegef.org)).

aiming to initiate and catalyze actions that would enable a broader impact in the longer run.

OPS3 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 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 the GEF's various stakeholder groups. This would allow the study to evaluate the GEF system as a network. OPS4 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.

The findings, conclusions, and recommendations of OPS4 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 in early 2010. An interim report of OPS4 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 OPS4 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.

## EMERGING ISSUES AND QUESTIONS

The Evaluation Office started brainstorming on the OPS4 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 2009 that the Evaluation Office presented to the GEF Council on April 22, 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 terms of reference.

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 OPS4 will be

**To assess the extent to which the GEF is achieving its objectives and to identify potential improvements**

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.

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 subquestions 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.

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, 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 resource management are adequately addressed. The GEF is not the only actor and depends on collaboration, often through cofunding, 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**.

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.

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 multifocal area efforts and how these achievements relate to the intended results of interventions and to the problems at which they were targeted. 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 that 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 developing states and least developed countries. This cluster will also be described as the **results cluster**.

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, the 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 OPS4, as well as an impact evaluation of the ozone focal area. Even though this is already 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.

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**.

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.

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 Midterm 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**.

This cluster will make extensive use of existing evaluation reports, most prominently the annual

performance reports, and the Midterm Review of the RAF, 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 ongoing work for the annual performance report also will be integrated into OPS4. 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.

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**.

These five clusters of questions have led to a first identification of key questions and subquestions 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.

## KEY QUESTIONS OF OPS4

This chapter presents the key questions in five clusters. Many of these questions require several subquestions to allow for an informed answer in OPS4. The subquestions have been incorporated in a first version of an evaluation matrix.

## FIRST CLUSTER: ROLE AND ADDED VALUE OF THE GEF

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### 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

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### 2. Which concrete, measurable, and verifiable results have been achieved by the GEF in the six focal areas and in multifocal area activities?

This assessment will provide an overview of results in regular and multifocal area activities by focal area — biodiversity, climate change, international waters, ozone layer 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 national and local capacity to do so, and the extent to which this has led to 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 small island developing states and least developed countries, 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

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### 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 trans-boundary agreements on international waters.

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**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 multifocal 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 among the conventions.

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**8. To what extent has the GEF been relevant to national policies on the environment and sustainable development?**

This question aims to address the issue of how GEF support has contributed to countries' sustainable development agendas 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.

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**FOURTH CLUSTER: PERFORMANCE ISSUES AFFECTING RESULTS OF THE GEF**

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**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.

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**10. To what extent has the RAF succeeded in allocating funding to ensure a maximization of global environmental benefits?**

The Midterm Review of the RAF will have been presented to the Council in November 2008. The terms of reference of the midterm review contain the questions that will be addressed and the findings that 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.

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**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 with similar activities of other agencies, leading to an assessment of the cost-effectiveness of GEF interventions. The possibility will be explored to report by focal area on geographical distribution and distribution by groups of countries, as well as by GEF Agency and modality, which will be related to the comparative advantage of these Agencies to address specific issues within the GEF. Furthermore, issues such as the reform of the project cycle as well as cofunding will be raised here, as they have an impact on the cost-effectiveness of GEF investments.

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**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 the GEF Agencies.

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### **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 peer review panel composed of internationally recognized panel members who will follow a framework for the review that has been adopted in the three professional evaluation communities (the Organisation for Economic Co-operation and Development/Development Assistance Committee [OECD/DAC] Evaluation Network, the United Nations Evaluation Group, and the 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.

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### **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 that 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 the Science and Technology Advisory Panel in improving the GEF's strategies and interventions.

## **FIFTH CLUSTER: RESOURCE MOBILIZATION AND FINANCIAL MANAGEMENT**

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### **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 of 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 and global programs and funds. The additionality of funding will also be reviewed.

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### **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.

## **SCOPE AND METHODOLOGY**

The **scope** of OPS4 will be defined per cluster and key question, ranging from the full history of the GEF to a snapshot of the situation at a certain moment in time, from a few representative interventions to the full portfolio of the GEF. Different questions ask for a different scope. In each case the specific approach will be based on scope and methodology as has been developed in evaluations of the GEF Evaluation Office, such as the Country Portfolio Evaluations, the Annual Performance Report and the Annual Report on GEF Impacts.

The first cluster will focus on the international situation as it will be developing in the coming 12 months. The second cluster will report on results and achievements as they can be reported now, but will look at the full portfolio of the GEF, especially when considering impact questions. It will build on the scope and methodology of OPS3, the Program Studies, other GEF Evaluation Report where appropriate, and the Annual Report on GEF Impacts.

The third cluster focuses on recent years, but will take the history of developments in the conventions, the member countries of the GEF and the GEF itself into account, in order to ensure that judgments on relevance are not ahistorical. It will follow scope and methodology as has been developed in the Program Studies and OPS3 (as regards convention guidance) and the Country Portfolio Evaluations (as regards the relevance for national priorities). The fourth cluster will build on the scope and methodology developed for the Annual Performance Report. The last cluster will have different scopes: a historical perspective for the first key question and a focus on the current situation for the second key question.

**Methodology development.** In collecting and analyzing data and drawing conclusions and recommendations OPS4 will be based on a wide variety of sources of information, methods of analyzing them and appropriate meta-evaluation techniques to ensure that OPS4 will be a valid, credible and legitimate report. The Evaluation Office will follow a “mixed methods” and “theory based” approach to ensure that questions are properly understood and presented, underlying assumptions have been analyzed and the resulting data gathering and analysis deliver aggregate and synthetic qualitative and quantitative judgments on the basis of diverse material, from desk studies, interviews, surveys, portfolio analysis, field visits and verification to stakeholder consultations. For this purpose, qualitative material will be further analyzed through specialized software.<sup>5</sup>

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5 Using ATLAS-ti software; see [www.atlasti.com/](http://www.atlasti.com/).

Specific frameworks for analysis for the clusters, key-questions and sub-questions will be prepared, on the basis of current state of the art insights in natural resources management, ecosystems services and the linkages between the environment and social and economic development. Where needed special methodology to gather and analyze data will be developed and adopted.

**Gender aspects** will be taken into account where appropriate and relevant. This will especially be the case when developing methodology for the country, agency and field visits and the stakeholder consultations, but gender aspects may be incorporated elsewhere as well.

Special attention will be paid to the identification of targets and indicators. Per cluster and per key question **targets and indicators** will be derived from the GEF-4 replenishment agreement, GEF strategies as approved by Council, and monitoring data. Where targets and indicators do not exist, they will be derived from existing literature, relevant GEF documents, and international best practice or from analysis of program and project documents. The further development of the evaluation matrix of OPS4 will incorporate the identified targets and indicators.

The **terminology** to be used in OPS4 will be defined in a consistent manner and relate to international usage of the terms concerned.

Several key questions will be underpinned through **literature reviews**. For the first cluster, a study will be undertaken of existing documents on global environmental issues. Major publications will include those of the conventions, IPCC, GEO, the Millennium Ecosystem Assessment, OECD Environmental Outlook, International NGOs, as well as relevant research reports. This will provide a background against which the specific achievements and challenges of the GEF can be placed.

**Document reviews** will be undertaken for several key questions, focusing on documents of the GEF and its activities, as well as from related institutions, as well as Terminal Evaluations and their reviews. Protocols will be developed or existing protocols, such as the terminal evaluation review guidelines, will be used. Evaluations of the GEF Evaluation Office and independent evaluation offices of the GEF agencies will be considered essential sources of information.

**Portfolio analyses.** The database developed for the Joint-Evaluation of the GEF Activity Cycle and Modalities and updated for the Mid-Term Review of the Resource Allocation Framework, will be used to incorporate the additional data needed to assess the GEF's portfolio in all its aspects. Special attention will be paid on how data can be aggregated over countries.

**Stakeholder consultations.** An independent stakeholder consultation process will be outsourced to a qualified consultancy firm to ensure that stakeholder opinions will be gathered on all aspects of the GEF, ensuring that this will reach out also to civil society, nongovernmental organizations and the private sector, as far as possible. The tender process will involve appropriate expertise to judge the suitability of offers. Special care will be taken that the qualitative data analysis will be undertaken with the same methodology as used for other qualitative data in OPS4, so that the results of the Stakeholder Survey can be integrated in OPS4 with the same level of validity.

**Semistructured interviews.** These will be undertaken on specific questions with specific stakeholders, mainly the GEF agencies and the governments of recipient countries. Again, special care will be taken that the qualitative data will be analyzed using proper analytical tools and techniques (see the introductory paragraph to this section).

**Country and agency visits.** These will collect data, information and opinions (through interviews and/or focus groups) on the GEF from country recipient governments, focal points and project stakeholders and beneficiaries, as well as from GEF agency representatives. Visits to GEF interventions will serve to gather data, verify available reports and documents, and interview beneficiaries and local stakeholders, including local government, communities and representatives from civil society.

**Field visits** to GEF interventions will be undertaken to record or verify results and achievements. The results cluster will develop a framework and protocols for field visits to ensure that visits will be representative for the focal areas, as well as for geographic regions and groups of recipient countries.

**Participation in international meetings.** Where possible, the OPS4 team will request feedback on the GEF from participants present at international meetings, either through the stakeholder consultation process, semi-structured interviews or focus group meetings.

**Peer review.** An independent professional peer review will take place on the implementation of the GEF Monitoring & Evaluation Policy. The peer review panel concerned will publish an independent assessment, of which the conclusions will be included in OPS4. The peer review panel will operate under its own terms of reference and any issues that they will not address, for example on monitoring, will be outsourced as a study component which will be integrated into OPS4.

**The Delphi approach and expert panels.** These may be used where an independent and objective assessment is needed on the comparison of GEF issues to best international standards. Any assessments done on this basis will be published as case study for OPS4 and the results will be integrated into OPS4.

**Case studies and study components.** Where necessary, independent and high-level experts will be hired to undertake studies of specialized subjects for which the expertise is not available in the GEF Evaluation Office. Where appropriate, such studies will be published as evaluation documents for OPS4 and the results will be integrated into OPS4.

**Comparison studies.** Where needed, comparisons will be made with other organizations of a similar nature, or with similar mandates and tasks. These comparisons can be done on legitimate grounds between the GEF portfolios of the GEF agencies and their other environmental portfolios (if existent) and between the GEF and international organizations and global initiatives of similar size and similar modes of operation. In each case, full justification of the comparison will be provided as well as the limitations of the nature and validity of the comparisons.

## PROCESS AND TIMEFRAME

The key stages of the Fourth Overall Performance Study are outlined in the table below.

## IMPLEMENTATION OF THE STUDY

**Overall responsibility** for the implementation of OPS4 will rest with the Director, supported by a small team coordinating the preparation and implementation, thus ensuring a strong collaboration and interaction with other on-going work (RAF mid-term Review, Country Portfolio Evaluations, Impact evaluations, and the Annual Performance Report). For each cluster of key questions a task leader will be identified in the GEF Evaluation Office amongst the senior evaluators.

Furthermore, a **focal area** perspective will be required when developing specific methods, analytical frameworks and protocols, especially in the results and the relevance clusters. To ensure the quality of the work, high level evaluation experts will be hired as advisors for each focal area. Although the results and relevance clusters will incorporate a focal area perspective throughout OPS4, the implementation of the other clusters will incorporate focal area specific data as well, to ensure that if and when relevant, this can be reported on.

EVALUATION PROCESS	PROPOSED TIMEFRAME
1. Preparatory work	January – May 2008
2. Approach Paper written and circulated for discussion. Comments incorporated in draft Terms of Reference	April – June 2008
3. Draft Terms of Reference circulated for discussion	June 2008
4. Final Terms of Reference circulated to GEF Council for approval	July 2008
5. OPS4 implementation	August 2008 – June 2009
6. Interim report submitted to replenishment meeting	April 2009
7. Progress on OPS4 reported to Council	June 2009
8. Final OPS4 report submitted to replenishment meeting	August 2009
9. Publication and dissemination	November 2009 – January 2010

The basic evaluative work that needs to be done to answer questions can be grouped into several **support sections** within the GEF Evaluation Office to ensure that the work is done with consistent quality throughout OPS4. Evaluation officers will bear coordinating responsibility for the supportive work.

In the preparatory phase and during the first phase of implementation, **methodology development** will take place to ensure that all clusters, key and sub-questions have analytical frameworks that will guide data gathering and analysis. The initial evaluation matrix will provide guidance to the development of appropriate methodology and will be completed at the end of development. This work will be done mainly by the senior evaluators of the office with support from external evaluation advisors.

A team within the office, led by the Evaluations Operations Officer, will be responsible for the process of **outsourcing** supporting component studies, as well as the stakeholder consultations. The tender rules and procedures of the World Bank will be followed, and the ethics guidelines of the GEF Evaluation Office on conflicts of interest will be applied. This team will also support the stakeholder consultation process logistically and administratively where needed. This will be done in collaboration with the Country Support Programme of the GEF, to ensure that opportunities for consultations with stakeholders at sub-regional workshops will be captured as far as possible.

A more continuous effort will be to gather, classify, catalogue and review **portfolio data and documents**. Two databases will be built: one for data and one for documents. A team of evaluation officers and assistants will be assembled to support the clusters to review the large amount of data and documents in a consistent manner. Databases of the office currently in use for the Mid-Term Review of the RAF and the Annual Performance Report will be extended to incorporate data for OPS4. The

experience gained with the terminal evaluation reviews for various evaluation reports (most prominently the Annual Performance Report) will be used to guide the documentation reviews.

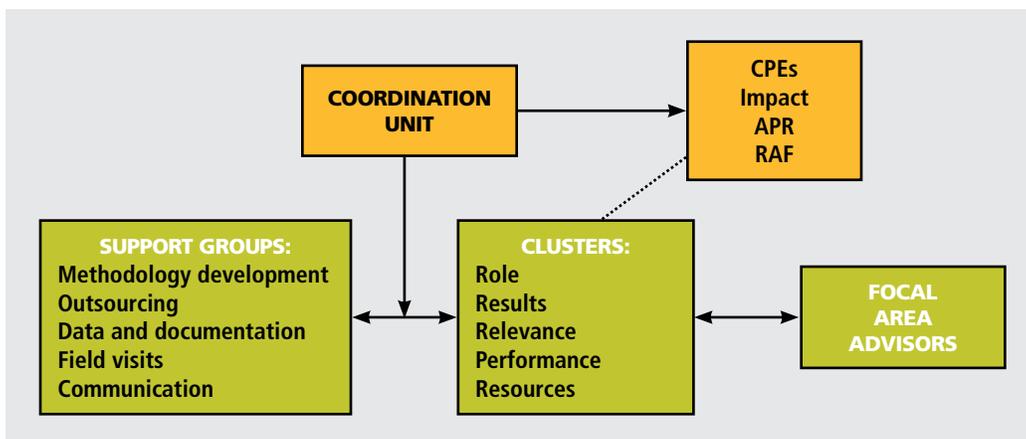
After sufficient methodology development and a first desk review of the available documentation, **country, agency and field visits** will take place, with an emphasis on the data that need to be gathered for the results cluster, but with sufficient attention for the other clusters as well. A team will be set up within the office to ensure that the visits are coordinated and administratively and logistically supported. Country and field visits will be undertaken as much as possible with strong involvement of independent local evaluators.

To ensure a **representative sample** of (groups of) countries, interventions, geographical regions, and focal areas, a minimum of 10 countries will be visited during the implementation of OPS4. This number comes on top of the countries that will be visited for other evaluation efforts of the office (Country Portfolio Evaluations, Impact evaluations, Annual Performance Report and the Mid-Term Review of the RAF). Overall, evaluative evidence from more than 35 countries will be included in OPS4.

The final phase of **analysis and writing** of the report will be taken up within the cluster teams, with appropriate involvement of focal area advisors.

A **communication team** will provide editing support and ensure that the OPS4 team will be able to interact with its partners throughout the GEF and outside of the GEF in a consistent and transparent manner. This team will develop timely plans for the presentation and the publication of the report and ensure that it will be translated in the official languages of the GEF.

The internal organization within the GEF Evaluation Office to implement OPS4 is shown in the following organization chart:



The time line for the preparatory phase of OPS4 is represented in the following chart:

PREPARATION OF OPS4	JAN-08	MAR-08	MAY-08	JUN-08	JUL-08
Development of key questions	■	■			
Approach paper		■			
Draft TOR			■	■	
Final TOR					■

The tentative time line for the implementation of the OPS4 in the second half of 2008 will be as follows:

2ND HALF OF 2008	AUG-08	SEP-08	OCT-08	NOV-08	DEC-08
Methodology development	■	■			
Outsourcing	■	■		■	
Stakeholder consultations			■	■	■
Peer review of evaluation function		■	■	■	■
Component studies			■	■	■
Database	■	■	■	■	■
Documentation review	■	■	■	■	■
Country, agency & field visits			■	■	■

The implementation of OPS4 in 2009 up to the interim report to be presented in April will be planned as follows:

INTERIM REPORT OF OPS4	JAN-09	FEB-09	MAR-09
Outsourcing	■		■
Stakeholder consultations	■	■	
Peer review of evaluation function		■	
Database	■	■	■
Documentation review	■	■	■
Country, agency & field visits	■	■	■
Analysis	■	■	■
Interim report			■
Editing & communication		■	■

The final phase of OPS4 could take place as scheduled below:

FINAL REPORTING AND FOLLOW-UP	APR-09	MAY-09	JUN-09	JUL-09	AUG-09	SEP-09
Database						
Documentation review						
Country, agency & field visits						
Analysis						
Writing of final report						
Editing & communication						
Follow-up						To 2010

## BUDGET

The table below presents the budget for OPS4 according to the estimated cost per cluster and other activities to be undertaken, distributed over four fiscal years. OPS4 will cost about \$1.6 million.

This does not include the cost of GEF EO staff that will be working on OPS4 and other tasks that the Office will do during this period. This is somewhat higher than estimated by the Office in 2007, but still substantially lower than the cost of OPS3.

The higher costs in fiscal year 2009 are caused by the concentration of activities in fiscal year 2009, which was not foreseen in the original work plan of the Office. This implies that the resources requested for FY09 are about \$340,000 higher than estimated in the budget prepared by the Office and presented to Council in April 2008. This can be accommodated in the overall budget of the Office if the remaining funds of the budget for fiscal year 2008 are transferred to fiscal year 2009. In order to undertake all necessary activities for OPS4 in fiscal year 2009, Council will be asked to approve moving the balance of funds of fiscal year 2008 to fiscal year 2009.

### Cost to implement OPS4: Consultants, travel, and inputs by GEF EO staff (number of days)

CLUSTERS	FY08	FY09	FY10	FY11	TOTAL	GEF EO STAFF INPUTS (# OF DAYS)
Role	-	\$79,313	\$11,897	-	\$91,210	65
Results	-	\$278,550	\$41,783	-	\$320,333	400
Relevance	-	\$117,563	\$17,634	-	\$135,197	160
Performance	-	\$104,063	\$15,609	-	\$119,672	160
Resources	-	\$42,165	\$16,866	-	\$59,031	110
OTHER TASKS AND ACTIVITIES						
Stakeholder Consultation	-	\$413,000		-	\$413,000	150
Panel of experts	-	\$31,500	\$26,000	-	\$57,500	50
Publishing	-	\$80,000	\$100,000	-	\$180,000	82
Documentation Review	-	\$33,000		-	\$33,000	
Coordination	\$28,600	\$56,014	\$29,407	-	\$114,021	430
Miscellaneous	-	\$20,000		-	\$20,000	
Follow-up	-		\$50,000	-	\$50,000	
<b>Total</b>	<b>\$28,600</b>	<b>\$1,255,168</b>	<b>\$309,196</b>	<b>-</b>	<b>\$1,592,964</b>	

# APPENDIX C APPROACH AND METHODOLOGY

The methodological approach by chapter for each issue evaluated in the Fourth Overall Performance Study (OPS4) of the Global Environment Facility (GEF) has been developed through approach papers, guidelines, and handbooks. This appendix provides some specific information related to the evidence presented in this full OPS4 report. The complete technical documents, methodological papers, protocols, surveys, and references on which this appendix is based are available on the GEF Evaluation Office Web site ([www.gefeo.org](http://www.gefeo.org)) and the OPS4 CD-ROM. For a complete list of these supporting documents, see appendix F.

## DONOR PERFORMANCE (CHAPTER 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 GEF-4. 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 GEF-4. There is an incentive to make early payments.

The second, third, and fourth indicators comprise a comparison of GEF donor shares to their shares in,

respectively, the United Nations, the International Development Association, and core environmental support as reported by the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD/DAC).

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, International Development Association, or core environment official development assistance; 0 if their share was more or less the same; and –1 if the share was substantially lower.

Data from OECD/DAC have been used, and the data table is in “The Mobilization and Management of GEF Resources” (Technical Document #8).

## CONVENTION GUIDANCE AND RELATIONSHIPS WITH THE CONVENTIONS (CHAPTER 2.3)

Extensive reviews were undertaken of all documents generated during GEF-4 regarding communications between the GEF and the convention conferences of the parties (COPs), as well as all the decisions provided by the COPs to the GEF and memorandums of understanding between the GEF and all the conventions. A meta-evaluation was conducted using all the evaluations prepared by the GEF Evaluation Office since the Third Overall Performance Study (OPS3). Extensive interviews were conducted with all the convention secretariats, as well as with 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. All GEF-4 approved project identification forms (PIFs) and projects were reviewed to consider their linkages with COP guidance and GEF strategies. Additionally, the OPS4 general

stakeholder survey was considered, although only 91 responses were received. OPS3 was used as a baseline and starting point for consideration. The GEF-4 replenishment policy recommendations were also used as baseline for this analysis.

### RESPONSIVENESS TO THE CONVENTIONS

Table C.1 presents a summary of the approaches and sources of information utilized. The assessment included the following steps:

- Guidance from the COPs was mapped to GEF-4 strategies by focal area.
- Project objectives were mapped to GEF-4 strategies by focal area.
- Qualitative analysis was drawn from interviews, stakeholder consultations, and surveys.

Several challenges had to be faced. To begin with, much of the guidance is not focused, but is instead very broad (for example, support capacity building;

**TABLE C.1 RESPONSIVENESS TO CONVENTIONS: INFORMATION SOURCES**

APPROACH	SOURCES OF INFORMATION
Projects as of July 2009	<ul style="list-style-type: none"> <li>■ All GEF-4 approved projects (301): biodiversity, 102; climate change, 88; land degradation, 13; persistent organic pollutants, 45; multifocal, 53</li> <li>■ All GEF-4 PIFs (170): biodiversity, 87; climate change, 37; land degradation, 17; persistent organic pollutants, 9; multifocal, 20</li> <li>■ For Least Developed Countries Fund, Special Climate Change Fund, Strategic Priority on Adaptation: all GEF projects (GEF-3 through GEF-4)</li> </ul>
GEF Evaluation Office documents since OPS3	Biosafety; Midterm Review of the GEF Resource Allocation Framework; Local Benefits Study; Joint Evaluation of the GEF Activity Cycle and Modalities; country portfolio evaluations; OPS4 country case studies
Documents from/between the GEF Secretariat, GEF Council, and conventions	GEF Secretariat reports to Council; GEF reports to COPs; convention statements in Council meetings; memorandums of understanding between the GEF and the conventions; GEF-4 replenishment negotiations
Interviews	GEF Secretariat; convention secretariats; convention focal points
Surveys	General stakeholder perceptions (91 respondents: 7 Council, 41 government/focal points, 32 Agencies)

support the entire Convention on Biological Diversity protected areas work program). Also, GEF-4 strategies may respond to several different items of guidance. The assessment entailed reviewing each project objective and component; there were 301 projects approved in GEF-4 plus 170 PIFs. Other constraints included the fact that the GEF Project Management Information System (PMIS) does not have reliable data regarding GEF strategies. It also does not have a link to COP guidance. For those projects that have responded to multiple strategic objectives and priorities, it was not possible to determine how much money had been allocated for each strategy.

## RELATIONSHIP BETWEEN THE GEF AND THE CONVENTIONS

Table C.2 presents a summary of the approaches and sources of information utilized.

Information from OPS3 (including the program studies prepared by the GEF Evaluation Office) was used as the baseline on which this analysis was built. The GEF-4 replenishment negotiation recommendations were also used as a baseline for analysis.

## RELEVANCE TO NATIONAL PRIORITIES (CHAPTER 2.5)

This issue was assessed using information gathered during OPS4 as well as GEF Evaluation Office

evaluations conducted since OPS3, particularly the country portfolio evaluations. In addition, the team reviewed all projects and PIFs approved during GEF-4 to assess their links to national priorities. Finally, the OPS4 survey was used, but to a limited degree, given the low level of response. Table C.3 presents a summary of the approaches and sources of information utilized.

GEF relevance to national priorities was measured by the degree to which

- the GEF supports the development of national priorities (funding for enabling activities; prioritization and inventory exercises, etc.),
- the GEF supports the implementation of already established national priorities (protected areas, energy efficiency, etc.).

Country ownership is defined in terms of the extent to which GEF support is embedded in national or local priorities.

## CLASSIFICATION OF GEF PROJECTS BY CATALYTIC CATEGORY (CHAPTER 2.4)

Based on an exploratory assessment, three broad categories were identified for classifying GEF projects:

**TABLE C.2 RELATIONSHIP WITH CONVENTIONS: INFORMATION SOURCES**

APPROACH	SOURCES OF INFORMATION
Projects as of July 2009	No project reviews
GEF Evaluation Office documents since OPS3	None applicable
Documents from/between the GEF Secretariat, GEF Council, and conventions	Convention secretariats to Council; Council to COPs; GEF Secretariat to Council; Council to conventions; memorandums of understanding
Interviews	GEF Secretariat; convention secretariats
Surveys	Not applicable

**TABLE C.3 RELEVANCE TO NATIONAL PRIORITIES: INFORMATION SOURCES**

APPROACH	SOURCES OF INFORMATION
Projects as of July 2009	<ul style="list-style-type: none"> <li>■ All GEF-4 approved projects (301): biodiversity, 102; climate change, 88; land degradation, 13; persistent organic pollutants, 45; multifocal, 53</li> <li>■ All GEF-4 PIFs (170): biodiversity, 87; climate change, 37; land degradation, 17; persistent organic pollutants, 9; multifocal, 20</li> </ul>
GEF Evaluation Office documents since OPS3	Biosafety; Midterm Review of the GEF Resource Allocation Framework; Local Benefits Study; Joint Evaluation of the GEF Activity Cycle and Modalities; country portfolio evaluations
Documents from/between GEF Secretariat, GEF Council, and conventions	Review
Interviews	GEF focal points; civil society organizations; conventions; GEF Secretariat
Surveys	General stakeholder perceptions (91 respondents: 7 Council, 41 government/focal points, 32 Agencies)

■ **“Foundational” and enabling activities.**

Projects in this category include activities that develop a basis on which an environmental issue relevant to the GEF mandate may be addressed in the future. It includes — but is not restricted to — overlapping activities such as assistance in defining the environmental issue of concern more clearly (e.g., transboundary diagnostic analysis); building the knowledge base on environmental status (e.g., the Millennium Ecosystem Assessment and other research studies supported by the GEF); awareness and capacity building of key decision makers at the national, regional, or global level; planning in addressing the issue and identifying actions that need to be undertaken (e.g., transboundary diagnostic analysis–strategic action program, national implementation plan, management plan for protected areas); monitoring changes in the status of the problem (e.g., surveys for monitoring the status of an ecosystem/water body or establishing a baseline for it); and establishing national or regional decision-making structures that will facilitate addressing the issue.

■ **Demonstration, piloting, innovation, and market barrier removal.** The projects in this

category include activities that involve implementation of an approach that has the 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 projects that aim to remove barriers and/or mainstream an approach. Grants made under the Small Grants Programme fall in this category.

■ **Investment and national-scale implementation.** Projects in this category include activities that intend to scale up 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 a high potential for replication but may be justified based on the direct benefits anticipated from the activities undertaken by the project and/or activities that directly address an issue of concern and are implemented at a national, regional, or global scale.

Tracking the level of investment made to pursue these different strategic objectives is important

because it will help the GEF monitor its project portfolio from this perspective. So far, the PMIS, the GEF project database, does not do so.

As part of OPS4, the GEF Evaluation Office classified the projects listed in the PMIS based on the strategic objectives pursued through the supported projects. The assessment used the PMIS data set downloaded on June 15, 2009, as a basis for classification. In all, 2,291 of the projects that the GEF had approved since its inception were classified.<sup>1</sup> The team that undertook the classification exercise was comprised of 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 belonged and the nature of activities undertaken. When a project's title provided sufficient clues, the reviewers assigned the project to one of the three categories. When such clues were not sufficient, the reviewers perused the project description and used this additional information to classify the project. If it was still not possible to classify the project, the category was reported as "unable to assess." The projects approved as enabling activities were automatically categorized as "foundational and enabling activities."

One of the difficulties faced by the reviewers was that the classification categories are not mutually exclusive, with some projects having elements that pertain to more than one category. In such instances, the reviewers took stock of the proportion of funding for activities related to different categories and classified the project according to the category for which relatively greater funding had been provided.

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1 The total number of approved projects in the GEF portfolio as of July 1, 2009, is 2,389; thus, 98 projects that had been approved by the GEF as of the end of fiscal year 2009 were not reviewed.

Another constraint that made classification difficult was that a project that appears to be an investment at the local level may be categorized as a demonstration project if looked at from a national, regional, or global perspective. For example, a project that involves activities that significantly solve land degradation problems at the local level may seem to be an investment at the local level. However, at the national level, when such approaches have not been tried in other places, it constitutes a demonstration activity. To resolve such ambiguity, the reviewers assessed the scope of a project from a regional or global perspective for regional or global projects, and the remainder from a national perspective.

To assess patterns across groups of countries such as fragile states, least developed countries, small island developing states, and landlocked countries, lists for such countries published by the United Nations Development Programme (least developed countries, small island developing states, and landlocked countries) and the World Bank (fragile states) were incorporated in the data set prepared for this assessment.

## RESULTS (SECTION 3)

The results 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."<sup>2</sup> The review of outcomes to impact (ROtI) methodology has been used to assess progress toward impact; this methodology is explained in "The ROtI Handbook: Towards

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2 OECD/DAC, "Glossary of Key Terms in Evaluation and Results-Based Management" (2002).

Enhancing the Impacts of Environmental Projects” (Methodological Paper #2). Following is specific information regarding the focal areas.

## CLIMATE CHANGE

A meta-evaluation provided an overview of result and impact achievements in the GEF and its Agencies, building on the annual performance reports, GEF Evaluation Office evaluations, and evaluations and studies from the GEF Agencies. It is based on more than 30 key evaluation documents and investigates the important 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 terminal evaluation review cohort selected as a basis for OPS4. This cohort included 3 enabling activities (2 targeted research, 1 national adaptation plan of action/national communication), 23 energy efficiency projects (7 product/market, 8 productive use, 7 public service), 20 renewable energy projects (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), and 2 canceled projects (with terminal evaluations). To complete the desk ROTIs, one regional project was split across two countries. One project was missing an implementation completion report and so could not be evaluated.

These two types of data were complemented by expected and, whenever possible, actual data for greenhouse gas emissions and project costs. These estimations are based on project documents, terminal evaluations, and actual financing data. The calculation methodology is consistent with that used for OPS3, which has been improved upon with more precise financing estimations, and further developed in cooperation with the GEF Secretariat to generate more accurate proxies for expected emissions reductions.

## BIODIVERSITY

A meta-evaluation provided an overview of result and impact achievements in the GEF and its Agencies, building on annual performance reports, GEF Evaluation Office evaluations, and evaluations and studies from the GEF Agencies.

ROTI desk reviews were conducted for a cohort of 116 biodiversity projects, which were identified as all the biodiversity projects for which a terminal evaluation was submitted in the period covered by OPS4. This is not a sample, 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 canceled and a terminal evaluation was not available; one project was not rated due to being subjected to a field ROTI; one project (Critical Ecosystems Partnership Fund, GEF ID 836) was excluded as an umbrella modality to which the ROTI methodology was not readily applicable; three presumed projects proved to be the 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.

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 the GEF Implementing Agencies) on results for the GEF’s biodiversity portfolio over the past four years; it 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 been completed and are thus not available for results analysis (and will be covered by subsequent overall performance studies). The cohort therefore

provides total coverage of the projects available in this focal area for study under OPS4.

## INTERNATIONAL WATERS

The cohort of 23 terminal evaluations in the international waters area 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.

All 23 of the international waters projects completed during GEF-4 have been analyzed. These projects reflect the portfolio at large, although there are some imbalances. The breakdown across operating programs is fairly reflective of the portfolio. There is an overrepresentation of full-size projects, with only four medium-size projects in the cohort. There is an overrepresentation of GEF-2 projects, although given the time required to complete full-size international waters projects, logic places their completion in GEF-4. 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 overrepresents the United Nations Environment Programme (7 projects), while the World Bank (5 projects) is underrepresented relative to the full portfolio.

Figure C.1 presents a generic theory of change model for international waters catchment projects. This theory of change model is perhaps the best illustration available in the GEF to show its catalytic role through foundational, demonstration, and investment activities. Even though the figure presents these activities as occurring in three distinct phases to illustrate how they could ideally follow each other in time, it is important to recognize that they are

not a linear progression and that in practice no such rigid division between phases can be found. Rather, due to the nature of the project development cycle and the desires of participating countries to include an array of achievements, foundational projects can include demonstrations, and there are already efforts ongoing at earlier stages to build funding partnerships for investments. Nevertheless, the sequence is useful to consider, as it suggests the general trends in support provided to countries within specific catchments. Because the other focal areas (especially climate change and biodiversity) follow guidance on foundational activities, the theories of change in these other areas are less pronounced with regard to the role of foundational and enabling activities in their strategies.

## COMPARISON OF RATINGS ON OUTCOMES AND SUSTAINABILITY (SECTION 3)

The terminal evaluation review outcome ratings were compared with the ROTI outcome ratings, and terminal evaluation review sustainability ratings were compared with the ROTI intermediary states rating. “Comparison of ROTI to APR Ratings” (Technical Document #11) presents this comparison.

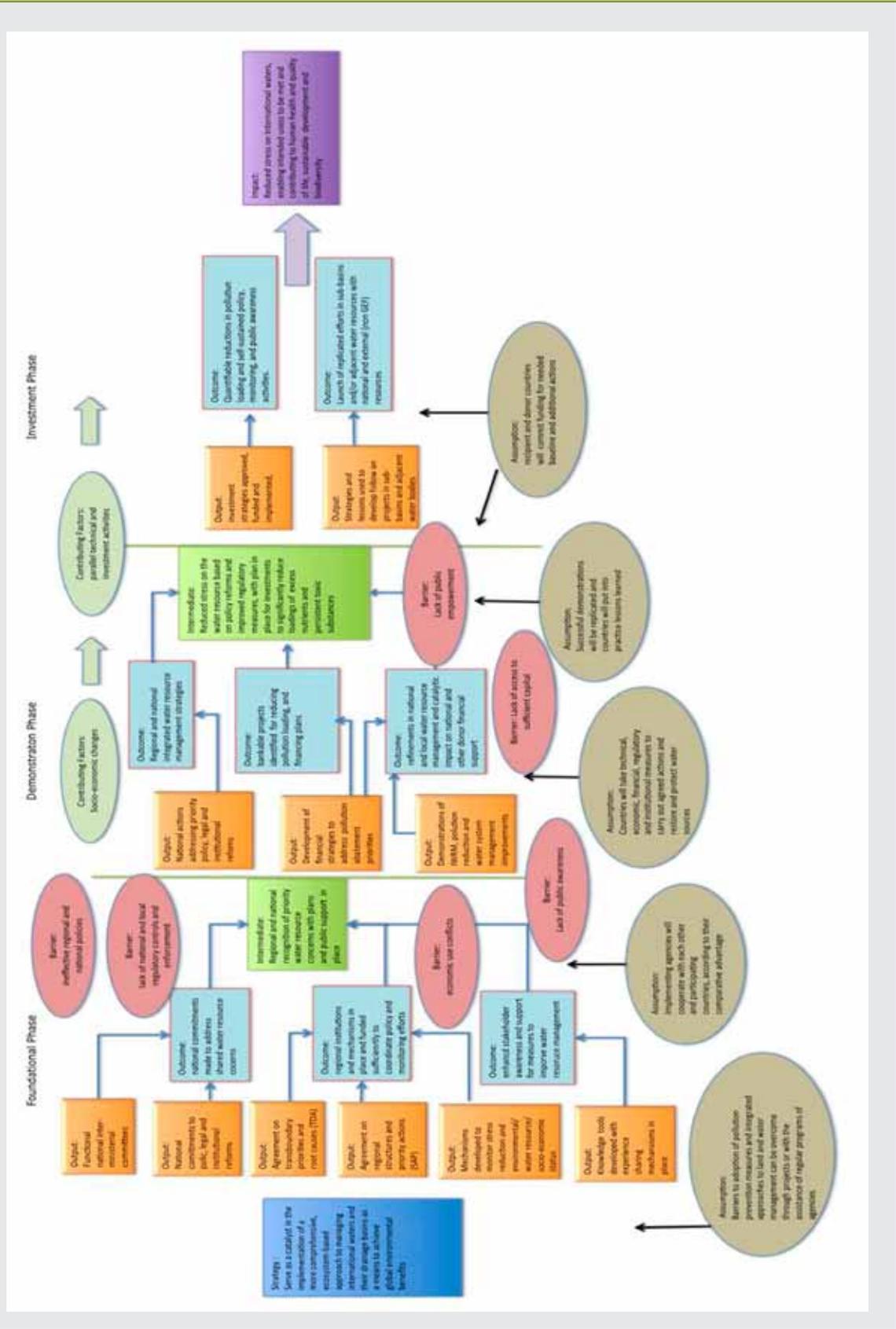
## PERFORMANCE (CHAPTER 4.1)

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 GEF Evaluation Office Web site.

## LEARNING (CHAPTER 4.2)

See “Approach to the OPS4 Substudy on Learning and Science in the GEF” (Methodological Paper #10).

**FIGURE C.1 GENERIC THEORY OF CHANGE MODEL FOR CATCHMENT PROJECTS**



## COST COMPARISON (CHAPTER 4.3)

The cost comparison comprises five case studies, based on documents available on the Web sites 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 sparse) literature on the cost-efficiency of granting agencies. This scan included a review of the methodologies that have been used in the past to make cost comparisons. The documents in the general literature that were consulted included the following:

- Joint Evaluation of the GEF Small Grants Program
- Three World Bank studies of its cost-effectiveness<sup>3</sup>
- A government of Canada study of the relative cost-effectiveness of four multilateral development banks
- A cost-comparison guideline of the U.S. government, describing procedures to be followed in comparing the costs of delivering the same or similar services through different channels (e.g., provided by a government department or contracted out to a private firm)
- Published literature<sup>4</sup>

Some other pertinent literature has been noted but not yet reviewed.<sup>5</sup>

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3 "The Costs and Benefits of Bank Decentralization: A Review of Qualitative and Quantitative Data, FY01–04" (2005); "Cost-Effectiveness Review" (1997); and "Organizational Effectiveness Task Force" (2005).

4 This included William Easterly and Tobias Pfutze, "Where Does the Money Go? Best and Worst Practices in Foreign Aid," *Journal of Economic Perspectives* 22, no. 2 (spring 2008).

5 A. Archarya et al., "Proliferation and Fragmentation: Transaction Costs and the Value of Aid," *Journal of Development Studies* 42, no. 1 (2004): 1–21; B.

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 with regard to its efficiency ratio, defined as the ratio of internal expenses (administrative costs, with and without financing charges, plus program delivery costs) to total expenses?<sup>6</sup>
- How does the GEF compare in general with best cost practices among the comparison organizations?

The study identified seven factors that appear to affect the administrative/delivery costs of granting agencies:

- An organization's mandate and reach
- Types of services

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Martins et al., *The Institutional Economics of Foreign Aid* (Cambridge: Cambridge University Press, 2002); and D. Roodman, "An Index of Donor Performance," Working Paper 67 (Centre for Global Development, 2006).

6 Some organizations express their efficiency ratio using program expenditures rather than total expenditures as the denominator. Either approach ranks organizations in the same order, so it does not matter which is used as long as all comparisons are consistent.

- Project versus program-based activities
- Capacity building and technical assistance
- Country presence
- Scale of operations
  - Efficiency ratios of similar-sized organizations
  - Economies of scale
  - Grant productivity related to staff
  - Average grant size and delivery costs
- Being marginal to a larger project
- Efficiency of delivery systems and practices
- Mode of financing
- Administrative/delivery costs may be decreased by a pay-by-results approach

## GOVERNANCE (SECTION 5)

The analytical framework that guided the governance review was based on the following information sources: the GEF Instrument; Council documents and reports of Council sessions; the GEF Evaluation Office's *Annual Performance Reports 2005, 2006, and 2007*; *OPS3: Progressing Toward Environmental Results*; GEF Evaluation Office publications from 2004 to 2008; and selected 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; academic, public, and private institutions; and nongovernmental organizations.

Benchmarking of GEF governance to that of other comparable or relevant international organizations was undertaken through comparisons to the World Bank, the International Monetary Fund, the International Finance Corporation, the Multilateral Investment Guarantee Agency, the African Development Bank, the Inter-American Development Bank,

the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Bank for International Settlements, the Consultative Group on International Agricultural Research, the United Nations Development Programme, the Food and Agriculture Organization of the United Nations, the World Health Organization, the World Intellectual Property Organization, the International Labour Organization, the World Trade Organization, and the OECD.

GEF decisions and guidance from Council decisions were analyzed as reported in the Joint Summary of the Chairs. A desk review follow-up of Council decisions was undertaken; and personal interviews were 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. Additionally, the GEF Chief Executive Officer, the GEF Evaluation Office Director, and other senior staff members of the GEF Secretariat and GEF Evaluation Office were interviewed; as were the executive coordinators or their designated representatives of the 10 GEF Implementing and Executing Agencies, the 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 from private sector and nongovernmental organizations.

The consultant participated in the June 2009 GEF Council Meeting, as well as the June 2009 Civil Society Organization 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 appropriate analytical tools and techniques.

# APPENDIX D PROFESSIONAL PEER REVIEW OF THE GEF EVALUATION FUNCTION AND GEF RESPONSE

One of the key questions of the Fourth Overall Performance Study (OPS4) involves the implementation of the Global Environment Facility's (GEF's) Monitoring and Evaluation Policy, which was approved by the GEF Council in February 2006. To this end, evaluation in the GEF — especially the role and performance of the GEF Evaluation Office — was independently assessed by a peer review panel to avoid conflict of interest. The panel was composed of internationally recognized members who followed a framework that has been adopted in the three professional evaluation communities (the Organisation for Economic Co-operation and Development/Development Assistance Committee [OECD/DAC] Evaluation Network, the United Nations Evaluation Group, and the Evaluation Cooperation Group of the international financial institutions). The peer review of the GEF evaluation function was conducted between August 2008 and May 2009.

Both the peer review report (“Peer Review: The Evaluation Function of the GEF,” Technical Document #6, available on the GEF Evaluation Office Web site [[www.gefeo.org](http://www.gefeo.org)] and the OPS4 CD-ROM) and its executive summary (which appears in this appendix) were presented to the GEF Council on June 22, 2009. The Council discussed the document and made 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

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 [Evaluation Office] 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.

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.

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.

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.

The Panel was composed as follows:

- Dominique de Crombrugge, 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), Mauritania
- Zhanar Sagimbayeva, Evaluator, Eurasian Development Bank, Kazakhstan
- Karel Cools, Senior Evaluator, Evaluation and Quality Control Service, MOFA [Ministry of Foreign Affairs], Belgium

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.

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

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.

From FY 05 to FY 09 the budget of the EO including special initiatives show an overall increase in of 52 per cent,<sup>1</sup> amounting to USD 3,907,167 in 2009.

## EVALUATION PRODUCTS AND THEIR QUALITY

The Peer Panel analysed a great number of documents (listed in annex [of full report],) 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.

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.<sup>2</sup> 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.

The main conclusion from this analysis is that, overall, the GEF EO produces solid evaluation work, at

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1 This significant increase is partly due to the exclusion of the costs for OPS-3 from the regular evaluation budget.

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).

the forefront of the state of the art with a welcome emphasis on methodological rigour and clarity.

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

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 tools which are perceived by most stakeholders as helpful contributions towards harmonizing approaches, methods and modalities within the GEF partnership.

## INDEPENDENCE

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.

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.

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.

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.

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

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.

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 overstressing 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

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.

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.

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.

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

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.

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#### 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.

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#### 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.

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#### 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.

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#### 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.

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#### 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**

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### **7. On the overall level of satisfaction**

The Panel finds a high degree of satisfaction of many stakeholders with the credibility of EO products.

### **8. 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.

### **9. 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**

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.

### **10. On the interaction between the GEF Secretariat and the GEF Evaluation Office**

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.

### **11. On the program 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.

### **12. 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.

### **13. 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

The GEF Evaluation Office has been tasked by the GEF Council to implement the GEF Monitoring and Evaluation Policy, which was approved by the 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.

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 workload of staff, are recognized by the Office, and the peer review report will help us move forward on these issues.

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, the Scientific and Technical Advisory Panel, and the NGO (Nongovernmental) Network on a revision of the GEF Monitoring and Evaluation Policy, our work procedures, methodologies, and 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.

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 fieldwork 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.

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, and on enhanced interaction with national governments and local communities. This should be taken into account in the process of revising the GEF Monitoring and Evaluation Policy. The peer review panel notes that the regular budget of the Office has increased more than 50 percent over the past five years. However, after discussions with the 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 the Third Overall Performance Study and special initiatives. Table D.1 shows that the overall costs for corporate evaluations in the GEF have more or less remained the same over the last five years and have not kept up with inflation and the lower value of the U.S. dollar.

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

**TABLE D.1 GEF EVALUATION OFFICE BUDGET**

ITEM	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Regular budget (\$)	2,321,000	2,821,975	2,906,634	3,793,365	3,907,167
Special initiatives & Third Overall Performance Study (\$)	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 FY		1.59	-10.37	8.54	1.46

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, the Food and Agriculture Organization of the United Nations decided to allocate an amount between 0.8 and 1.0 percent of its operational budget to its evaluation office, referring to best international practice for organizations like the Food and Agriculture Organization. In many international financial institutions, the budgets of the central evaluation units are in the range of 0.1–0.2 percent 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 percent of the overall budget of GEF-4. This seems reasonable, given the fact that the GEF operates both through the United Nations (which has a higher norm) and the international financial institutions (which have a lower norm).

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 Resource Allocation Framework midterm 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.

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 fieldwork 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 the United Nations Development Programme, the United Nations Children's Fund (UNICEF), the World Food Programme, and the UN Office of Internal Oversight Services 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 Resource Allocation Framework midterm review and for OPS4. Draft approach papers, proposed key questions, and draft terms of reference were posted on the Web site and extensively discussed in various meetings, including several subregional 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.

The GEF Evaluation Office would like to express its sincere gratitude to the peer review panel which has spent so much time and energy in understanding the role of evaluation in the GEF. The peer review report should enrich the GEF Monitoring and Evaluation Policy and lead to improved monitoring and evaluation in GEF-5.

# APPENDIX E OPS4 TEAM

The Fourth Overall Performance Study (OPS4) of the Global Environment Facility (GEF) has been prepared and implemented by a large team of colleagues, partners, and consultants; these contributors are listed in this appendix. However, their work would not have been possible without the full support and encouragement of all the GEF partners: the Secretariat, the Agencies, the Scientific and Technical Advisory Panel, the GEF focal points, and the NGO (Nongovernmental Organization) Network. Furthermore, the GEF Evaluation Office would like to acknowledge all the respondents to surveys, interviews, and e-mail inquiries, and the governments, executing agencies, and project staff who received OPS4 team members in the field. OPS4 would not have been possible without this support.

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# APPENDIX F OPS4 SUPPORTING DOCUMENTS

Following is a list of technical documents, methodological papers, protocols, surveys, and references underlying the Fourth Overall Performance Study (OPS4) of the Global Environment Facility (GEF). These materials are available on the GEF Evaluation Office Web site ([www.gefeo.org](http://www.gefeo.org)) and the OPS4 CD-ROM.

## Technical Documents

- #1 Overview of the GEF Project Portfolio
- #2 Future Needs in Ozone Layer Protection
- #3 The Catalytic Role of the GEF: Case Study: Energy Conservation and GHG Emissions Reduction in Chinese Township and Village Enterprises in China
- #4 The Catalytic Role of the GEF: Case Study: The Slovenia EBRD/GEF Environmental Credit Facility
- #5 Governance of the GEF
- #6 Peer Review: The Evaluation Function of the GEF
- #7 Independent Monitoring and Evaluation Review
- #8 The Mobilization and Management of GEF Resources
- #9 Gender Mainstreaming in the GEF
- #10 Stakeholder Consultation Matrix of Findings
- #11 Comparison of ROtI to APR Ratings

## Methodological Papers

- #1 Terms of Reference (Full Text)
- #2 The ROtI Handbook: Towards Enhancing the Impacts of Environmental Projects
- #3 Assessment of Quality at Entry of M&E
- #4 Approach to Assessment of Time Lags in PIF Clearance
- #5 Approach to Assessment on Cofinancing
- #6 Approach to Assess Quality of Supervision
- #7 Approach to Tracking of GEF Council Decisions by the GEF Partnership

- #8 Approach to Project Classification
- #9 Approach to Terminal Evaluation Review
- #10 Approach to the OPS4 Substudy on Learning and Science in the GEF
- #11 Country Case Studies: Terms of Reference
- #12 Country Case Studies: Selection Process
- #13 Approach to Stakeholder Consultations
- #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
- #19 Senior Independent Evaluation Advisors: Terms of Reference
- #20 Quality Assurance Peer Group: Approach and Work Plan
- #21 Comments of the Senior Independent Evaluation Advisors

### **Surveys**

- #1 Stakeholder Survey
- #2 Monitoring and Evaluation Survey
- #3 Governance of the GEF
- #4 Civil Society Organizations Participating in Subregional Meetings

### **Reference Documents**

- #1 GEF Evaluation Office Evaluations and Products
- #2 Terminated Projects FY 2004–08

# APPENDIX G BIBLIOGRAPHY

Following is a list of the publications and documentation cited in the body of this report. Publications of the Global Environment Facility (GEF) are available at this link: [www.thegef.org/gef/gef\\_Documents\\_Publications](http://www.thegef.org/gef/gef_Documents_Publications). Publications cited for the GEF Evaluation Office are available at this link: [www.thegef.org/gef/eo\\_doc%2526pub](http://www.thegef.org/gef/eo_doc%2526pub). All Web links cited here are accurate as of April 6, 2010.

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