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DRAFT THIRD OVERALL PERFORMANCE STUDY

(Prepared by ICF Consulting)

DRAFT FINAL REPORT:

**THIRD OVERALL PERFORMANCE STUDY OF THE
GLOBAL ENVIRONMENT FACILITY**

MAY 20, 2005

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[To be provided.]

OPS3 ACRONYMS

ABS	Access and Benefit Sharing
AC	Action Committee [UNDP]
ADB	Asian Development Bank
AfDB	African Development Bank
APR	Annual Project Report [UNDP]
AWGB	STAP Ad Hoc Working Group on Biodiversity
AWGGWE	Ad Hoc Working Group on Global Warming and Energy
BCH	Biosafety Clearing House
BD	GEF Biodiversity Focal Area
BPS	Biodiversity Program Study
CBD	Convention on Biological Diversity
CC	GEF Climate Change Focal Area
CCO	Communication, Coordination, and Outreach
CCPS	Climate Change Program Study
CDM	Clean Development Mechanism
CDW	Country Dialogue Workshops
CEIT	Countries with Economies in Transition
CEO	Corporate Executive Officer
CER	Certified Emission Reduction
CFC	Chlorofluorocarbon
CITES	Convention on International Trade in Endangered Species of Wild Flora and Fauna
CO ₂	Carbon dioxide
COP	Conference of the Parties
CPPs	Country Pilot Partnerships in Land Degradation Focal Area
DAC	Development Assistance Committee
DDT	Dichloro-diphenyl-trichloroethane – a persistent organic pollutant
EA	Enabling Activities
EA	Executing Agency
EBRD	European Bank for Reconstruction and Development
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FCCC	Framework Convention on Climate Change
FSP	Full Size Project
GEF	Global Environment Facility
GEF1	Restructured GEF - FY 1995-1998
GEF2	FY 1999-2002
GEF3	FY 2004-2006
GEF4	FY2007-2010
GEFME	Global Environment Facility Monitoring & Evaluation Unit
GEFSEC	Global Environment Facility Secretariat
GHG	Greenhouse Gas
GIS	Geographic Information Systems
GIWA	Global International Waters Assessment
GWP	Global Warming Potential
HCFC	Hydrochlorofluorocarbon
HFCs	Hydrofluorocarbon

HLP	OPS3 High Level Advisory Panel
IA	Implementing Agency
IADB	Inter-American Development Bank
IBRD	International Bank of Reconstruction and Development (World Bank)
IC	Inter-Ministry Committee
IETA	International Emissions Trading Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IPCC	Intergovernmental Panel on Climate Change
IPO	Indigenous Peoples Organization
IUCN	International Union for the Conservation of Nature
IW	GEF International Waters Focal Area
IW:LEARN	The International Waters Learning Exchange and Resource Network
IWPS	International Waters Program Study
IWTF	GEF International Waters Task Force
KM	Knowledge Management
KRAs	IUCN Key Results Areas
LBS	Local Benefits Study
LD	GEF Land Degradation Focal Area
LDCs	Least Developed Countries
LME	Large Marine Ecosystem
M & E	Monitoring and Evaluation
MAR	Management Action Record
METT	GEF Biodiversity Management Effectiveness Tracking Tool
MIP	Management, Information, and Policy
MIS	Management and Information System
MLF	Multilateral Fund of the Montreal Protocol
MOP	Meeting of the Parties to the Montreal Protocol
MSP	Medium Size Project
MT	Metric Tons
NAI	Non-Annex I countries
NAO	Network Administrative Office of the GEF Secretariat
NAP	National Action Programs to Combat Desertification
NAPA	National Adaptation Programme of Action
NBFs	National Biosafety Framework
NBSAPs	National Biodiversity Strategies and Action Plans
NC	National Communication
NCAP	National Caspian Action Plans
NCSA	National Capacity Self-Assessments
NDI	National Dialogue Initiative
NGO	Non-governmental organization
NICs	Newly Industrialising Countries
NIPs	National Implementation Plans under POPs
OCT	GEF Secretariat Operations Coordination Team
ODP	Ozone Depleting Potential
ODS	Ozone Depleting Substance
OED	World Bank Operations Evaluation Department
OECD	Organisation for Economic Co-operation and Development
OFPs	Operational Focal Points
OME	GEF Office of Monitoring and Evaluation
OPs	Operational Programs
OP1	Arid and Semi-Arid Zone Ecosystems

OP2	Coastal, Marine, and Freshwater Ecosystems
OP3	Forest Ecosystems
OP4	Mountain Ecosystems
OP5	Removal of Barriers to Energy Efficiency and Energy Conservation
OP6	Promoting the Adoption of Renewable Energy by Removing Barriers and Reducing Implementation Costs
OP7	Reducing the Long-Term Costs of Low Greenhouse Gas Emitting Energy Technologies
OP8	Waterbody-based Operational Program
OP9	Integrated Land and Water Multiple Focal Area Operational Program
OP10	Contaminant-Based Operational Program
OP11	Promoting Environmentally Sustainable Transport
OP12	Integrated Ecosystem Management
OP13	Conservation and Sustainable Use of Biological Diversity Important to Agriculture
OP14	Persistent Organic Pollutants
OP15	Sustainable Land Management
OPS	Overall Performance Studies
PA	Protected Area
PCBs	polychlorinated biphenyls a persistent organic pollutant
PDF	Project Preparation and Development Facility
PIPR	Project Implementation Performance Report
PIR	Project Implementation Review
PMIS	GEF Project Tracking and Management Information System
POPs	Persistent Organic Pollutants
POV	Point of View
PPA	Project Preparation Advance
PPR	Project Performance Review
PPR	Project Performance Reports
PRMS	UNDP/GEF Projects Risk Management System
PSR	Project Status Report
PTMS	Project Tracking and Mapping System
PV	Photovoltaics
QAG	Quality Assurance Group
RAF	Resource Allocation Framework
RE	Renewable Energy
SAP	Strategic Action Programme
SIDS	Small Island Developing States
SCCF	Special Climate Change Fund
SGP	Small Grants Programme
SMPR	Specially-managed Projects Reviews
SP	Strategic Priorities
STAP	Scientific and Technical Advisory Panel
STRM	Short-term Response Measures
TDA	Trans-boundary Diagnostic Analysis
TE	Terminal Evaluation
TER	Terminal Evaluation Reviews
TOR	Terms of Reference
UN	United Nations
UNAIDs	The Joint United Nations Programme on HIV/AIDS
UNCCD	United Nations Convention to Combat Desertification
UNCED	United Nations Conference on Environment and Development

UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
UNFF	UN Forum on Forests
UNIDO	United National Industrial Development Organization
WSSD	World Summit for Sustainable Development
WWF	World Wildlife Fund

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SECTION I: INTRODUCTION AND APPROACH

1. Introduction

1.1 Purpose and Scope

The purpose of the OPS3 study, commissioned by the GEF Council, is “to assess the extent to which GEF has achieved, or is on its way towards achieving its main objectives, as laid down in the GEF Instrument and subsequent decisions by the GEF Council and the Assembly, including key documents such as the Operational Strategy and the Policy Recommendations agreed as part of the Third Replenishment of the GEF Trust Fund.”¹

The OPS3 study follows on two previous studies that were similar in nature to that of OPS3; however, as the GEF and its portfolios have matured, so the purpose of an overall performance study has evolved. OPS3 views itself as part of a larger, longitudinal study that will build on the concepts and recommendations of the previous studies, and look forward to improvements in GEF operations to set the stage for OPS4. OPS3 also recognizes that this study is taking place at a critical time, and will provide input that is relevant to the Fourth Replenishment of the GEF Trust Fund, which will be taking place shortly after the publication of the OPS3 study. A primary goal of OPS3 is to provide relevant, timely and actionable recommendations for each of the Terms of Reference (TOR) areas to support the replenishment process and associated programming.

The scope of the OPS3 study is defined by the Terms of Reference for the Third Overall Performance Study of the GEF, approved by the GEF Council on 21 May 2004, and covers five main themes:

- Results of GEF activities;
- Sustainability of results at the country level;
- GEF as a catalytic institution;
- GEF policies, institutional structure, and partnerships; and
- GEF implementation processes.

1.2 GEF Instrument and Mandate

As the only existing multi-convention financing mechanism, the GEF serves as such for the CBD, UNFCCC, Stockholm Convention on POPs, and UNCCD. The GEF also supports the Montreal Protocol, and activities related to International Waters. Drawing on the financial contributions of developed country GEF participants, the GEF provides new and additional funding for the incremental costs of projects in six focal areas: biodiversity, climate change, POPs, land degradation, international waters, and ozone layer depletion.

1.2.1 Establishment of the GEF

In 1991, the GEF was established in the International Bank for Reconstruction and Development (the World Bank) as a pilot facility to assist in the protection of the global environment by providing new and additional funding in the areas of climate change, biodiversity, ozone layer depletion, and international waters. Participants in this phase agreed to a collaborative management arrangement among the three Implementing

¹ Terms of Reference for the Third Overall Performance Study of the GEF, May 21, 2004.

1 Agencies (IAs, including UNDP, UNEP, and the World Bank), with the understanding that the three-year
2 program would be exploratory.

3 In 1994, following several years of negotiation, the GEF was restructured under the guidance of the *Instrument*
4 *for Establishment of the Restructured Global Environment Facility* (hereafter referred to as the Instrument) and
5 became a permanent mechanism to promote international cooperation and fund projects to achieve global
6 environmental benefits. The network design of the GEF emerged from these restructuring negotiations
7 during which it was determined that a new, stand-alone institution would not be created.

8 The Instrument was accepted by representatives of 73 countries and formally adopted by the three IAs. The
9 GEF was mandated to "... operate, on the basis of collaboration and partnership among the IAs, as a
10 mechanism for international cooperation for the purpose of providing new and additional grant and
11 concessional funding to meet the agreed incremental costs of measures to achieve agreed global
12 environmental benefits" in the stated Focal Areas.

13 In 1996, the GEF put forth its Operational Strategy, based on the objectives of the UNFCCC and CBD, the
14 GEF Instrument, and Council decisions. The Operational Strategy was developed through GEF Secretariat
15 consultations with the IAs, STAP, Conference of the Parties for the two conventions, and regional
16 stakeholders. The GEF Council approved the Strategy at its October 1995 meeting. Exhibit 1-1 presents the
17 10 operational principles that the GEF pledged to adhere to in carrying out its mission.

18 The third operational principle of the GEF states that the GEF will provide funding to meet the agreed
19 incremental costs of activities to achieve global environmental benefits. As outlined in the 1996 Council
20 document "Incremental Costs" (GEF/C.7/Inf.5), to calculate incremental costs, "[t]he cost of GEF eligible
21 activity should be compared to that of the activity it replaces or makes redundant. The difference between the
22 two costs -- the expenditure on the GEF supported activity and the cost saving on the replaced or redundant
23 activity -- is the incremental cost. It is a measure of the future economic burden on the country that would
24 result from its choosing the GEF supported activity in preference to one that would have been sufficient in
25 the national interest."

26 In order to provide the needed funding to meet these incremental costs, contributing participants pledge
27 resources every four years. The First Replenishment of the GEF was undertaken in 1994, and subsequent
28 replenishments were carried out in 1998 and 2002. The Fourth Replenishment of the GEF is scheduled for
29 2006, and input from OPS3 will contribute to the negotiations of this replenishment.

Exhibit 1-1. 10 Operational Principles of the GEF

- 1) For purposes of the financial mechanisms for the implementation of the Convention on Biological Diversity and the United Nations Framework Convention on Climate Change, the GEF will function under the guidance of, and be accountable to, the Conference of the Parties (COPs). For purposes of financing activities in the focal area of ozone layer depletion, GEF operational policies will be consistent with those of the Montreal Protocol on Substances that Deplete the Ozone Layer and its amendments.
- 2) The GEF will provide new, and additional, grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits.
- 3) The GEF will ensure the cost-effectiveness of its activities to maximize global environmental benefits.
- 4) The GEF will fund projects that are country-driven and based on national priorities designed to support sustainable development, as identified within the context of national programs.
- 5) The GEF will maintain sufficient flexibility to respond to changing circumstances, including evolving guidance of the Conference of the Parties and experience gained from monitoring and evaluation activities.
- 6) GEF projects will provide for full disclosure of all nonconfidential information.
- 7) GEF projects will provide for consultation with, and participation as appropriate of, the beneficiaries and affected groups of people.
- 8) GEF projects will conform to the eligibility requirements set forth in paragraph 9 of the GEF Instrument.
- 9) In seeking to maximize global environmental benefits, the GEF will emphasize its catalytic role and leverage additional financing from other sources.
- 10) The GEF will ensure that its programs and projects are monitored and evaluated on a regular basis.

1.2.2 GEF Entities – Roles and Responsibilities

Based on the Instrument, the following GEF entities were charged with these mandates:

- *Assembly*, consisting of representatives of all Participants, meets once every three years to: “(a) review the general policies of the Facility; (b) review and evaluate the operation of the Facility on the basis of reports submitted by the Council; (c) keep under review the membership of the Facility; and (d) consider, for approval by consensus, amendments to the present Instrument on the basis of recommendations by the Council.”
- *Council*, comprised of 32 Members that represent regional constituency groupings, is responsible for developing, adopting, and evaluating the operational policies and programs for GEF-financed activities in accordance with the Instrument and guidance from the Assembly. The Council acts in accordance with program priorities and eligibility criteria as decided by the COPs for the Conventions. Among other responsibilities, the Council also reviews and approves work programs and provides guidance to the Secretariat, IAs, the Office of Monitoring and Evaluation, the Trustee, STAP and other bodies. The Council meets twice each year.
- *Secretariat*, headed by the CEO/Chairperson of the GEF, supports and reports to the Assembly and Council. To assist the Council, the Secretariat (a) implements the decisions of the Assembly and the Council and, in consultation with the IAs, ensures the implementation of the operational policies adopted by the Council; (b) coordinates the development and oversees the implementation of the activities in the work program; (c) coordinates with the Secretariats of the Conventions for which the GEF is a financial mechanism and other bodies.
- *Implementing Agencies (IAs)*, UNDP, UNEP, and the World Bank develop and implement GEF activities within each of their respective technical competences.
- *Scientific and Technical Advisory Panel (STAP)* serves a scientific and technical advisory role for the GEF. For example, members of the STAP expert roster review and advise on individual projects.

1 • *Trustee of the Fund* is the World Bank, and is responsible for the financial management of the Fund,
2 including investment of assets, disbursement of funds to IAs and EAs, and monitoring and reporting on
3 the investment and use of the Fund's resources.

4 In addition to these entities that received specific mandates in the Instrument, the following entities are
5 important partners in the GEF network and have had evolving roles and responsibilities over the lifetime of
6 the GEF.

7 • *Monitoring and Evaluation (M&E)* – In October 1996, the GEF Council approved a budget and work
8 program for an M&E function. The Third Replenishment of the GEF Trust Fund recommended in
9 2002 that the M&E unit become an independent entity. The terms of reference for an independent
10 M&E function were approved by the Council in July 2003, and the unit was granted full independence
11 and renamed the Office of Monitoring and Evaluation in 2004.

12 • *Executing Agencies* – In the Instrument, IAs were allowed to cooperate with EAs to prepare and
13 implement GEF activities. In 1999, the GEF Council approved a policy to expand the number of
14 international organizations that can directly access funding from the GEF Trust Fund through the GEF
15 Secretariat to prepare and implement GEF-financed activities. This policy of expanded opportunities for
16 executing agencies was eventually extended to ADB, AfDB, EBRD, IADB, FAO, UNIDO, and IFAD.

17 • *NGOs* – In the Instrument, IAs were permitted to cooperate with NGOs to promote the purposes of the
18 GEF and to prepare and implement GEF activities. NGOs may also participate in the semi-annual
19 GEF-NGO consultations and the NGO network, the representative of which can make interventions at
20 GEF Council meetings. Additionally, NGOs can prepare and execute medium-size projects as well as
21 projects under the SGP.

22 **1.2.3 GEF Program Activities**

23 As described above, the GEF operates in six focal areas that align with the objectives of their respective
24 Conventions. In addition to the biodiversity, climate change, ozone layer depletion, and international waters
25 focal areas, in 2002, the Second GEF Assembly established two new focal areas: land degradation (primarily
26 desertification and deforestation) and POPs, and the GEF Instrument was amended accordingly.

27 Projects proposed for funding under the GEF must be consistent with the Instrument and the GEF
28 Operational Strategy. In particular, in funding activities, the GEF aims to emphasize its catalytic role and to
29 leverage additional financing from other sources. IAs also aim to avoid transfer of negative environmental
30 impacts between focal areas and to take advantage of synergies between focal areas.

31 Once funding eligibility is confirmed, projects are generally classified in one of three inter-related ways:
32 enabling activities, short-term response measures, or Operational Programs. Additionally, since 1997, limited
33 amounts of GEF funding have also been occasionally granted for goal oriented research that supports the
34 GEF operational strategy.²

35 • *Enabling activities* “are a means of fulfilling essential communication requirements to a Convention,
36 provide a basic and essential level of information to enable policy and strategic decisions to be made, or
37 assist planning that identifies priority activities within a country.”³

² At its May 1997 meeting, the GEF Council approved the principles in the Council document GEF/C.9/5, *Principles for GEF Financing of Targeted Research*, prepared by the STAP, as the basis for considering GEF funding of goal oriented research that supports the GEF operational strategy.

³ GEF Operational Strategy. 1996.

- 1 • *Short-term response measures (STRMs)* are activities that are considered sufficiently important for funding,
2 even though they may not be strictly related to an OP or enabling activity. STRMs are expected to
3 provide short-term benefits at a relatively low cost.
- 4 • *Operational Programs (OPs)* represent “a conceptual and planning framework for the design,
5 implementation, and coordination of a set of projects to achieve a global environmental objective in a
6 particular focal area.”⁴

7 Initially, OPs were developed for the biodiversity and climate change focal areas conforming to the program
8 priorities approved by the Conferences of the Parties (COPs) to those Conventions, and for the international
9 waters focal area based on the priorities determined by the Council. It was decided that the ozone layer
10 depletion focal area would not have an OP, but that activities in that focal area would be focused on short-
11 term response measures and enabling activities. OPs have since been developed for the land degradation and
12 POPs focal areas.

13 In addition to enabling activities, STRMs, and projects approved under the OPs, projects may also be
14 submitted under the Small Grants Program (SGP). Established in 1992 to grant funding for community-
15 based initiatives, the SGP currently provides up to US\$50,000 per project in the climate change, biodiversity,
16 international waters, land degradation, and POPs focal areas. The SGP incorporates a separate streamlined
17 project cycle that is conducted at the national level.

18 To further direct GEF resources in a way that catalyzes action to maximize global environmental benefits, a
19 strategic planning framework was introduced in GEF’s FY 2004-2006 Business Plan. As part of this
20 framework, Strategic Priorities were identified in each of the six focal areas. These strategic priorities are
21 “consistent with the OPs, guidance from the Conventions, and country priorities [...and...] reflect the major
22 themes or approaches under which resources are programmed within each of the focal areas.”⁵

23 1.3 Historical Context for OPS3

24 The Office of Monitoring and Evaluation (GEFME) of the GEF has conducted two Overall Performance
25 Studies (OPS) to evaluate the global impacts and policies that result from the GEF programs. OPS are
26 conducted by external experts every 4 years and generate a number of recommendations for the GEF. These
27 recommendations are taken into consideration by the GEF Assembly and used for financial negotiations and
28 decision-making.

29 1.3.1 History of Evaluations

30 In 1997, the first OPS (OPS1) was conducted at the request of the GEF Council. The report focused on the
31 GEF’s provision of resources as well as country and institutional issues. However, so few GEF projects had
32 been completed at the time that OPS1 could not evaluate program results. By the time OPS2 was conducted
33 in 2001, a subset of projects had been completed and their success documented, allowing reviewers to focus
34 on whether the GEF objectives were being met. Despite the different focuses, OPS1 and OPS2 posed many
35 common questions and came to similar conclusions in many areas. Common themes and issues raised by
36 both reports include:

- 37 • Need for additional financial leveraging, including stronger involvement of private-sector funds/entities
- 38 • Concerns about the functionality of Focal Point system

⁴ GEF Operational Strategy. 1996.

⁵ GEF Business Plan FY04-06. GEF/C.24/9/Rev.1.

- 1 • Concerns about Implementing Agency coordination
- 2 • Prioritization of Convention guidance, and GEF implementation of Convention guidance
- 3 • Concerns about outreach to stakeholders and GEF visibility
- 4 • Effectiveness of institutional organization and management strategies
- 5 • Role of the STAP

6 In addition to the OPS, every 4 years, coinciding with the GEF replenishment cycle, the GEFME conducts a
7 round of evaluations and studies on all GEF programs. These reviews are fundamental elements of the
8 GEFME's work program and are major inputs to the OPS, the GEF replenishment process and the GEF
9 Assembly. In preparation for the OPS3, the fourth⁶ major GEF-wide review, the following program studies
10 (and other key non-program area studies) were conducted in 2004:

- 11 • GEF Biodiversity Program Study (2004 BPS)
- 12 • International Waters Program Study (2004 IWPS)
- 13 • Climate Change Program Study (2004 CCPS)
- 14 • Progress Report on Implementation of the GEF Operational Program on Sustainable Land Management
- 15 • Local Benefits Study

16 These studies are an essential contribution to OPS3. Their key findings and recommendations are drawn on
17 to complement OPS3 findings in this report.

18 **1.4 Organization of the Report**

19 The remainder of this report is organized around the original Terms of Reference provided by Council, in
20 addition to a preceding discussion of the study approach. Sections are as follows:

- 21 • Section 2 discusses the approach and methodology employed by OPS3;
- 22 • Section 3 addresses findings and recommendations related to results of GEF activities;
- 23 • Section 4 gives findings and recommendations related to the sustainability of GEF results;
- 24 • Section 5 discusses the success of the GEF as a catalytic institution;
- 25 • Section 6 presents the effects of the GEF network structure on results;
- 26 • Section 7 addresses the effects of GEF procedures on results;
- 27 • Section 8 presents the main findings of OPS3; and
- 28 • Section 9 puts forth the major recommendations of OPS3.

29 **2. Approach**

⁶ The first GEF-wide review having been conducted in 1992, which led to the restructuring of the GEF in 1994.

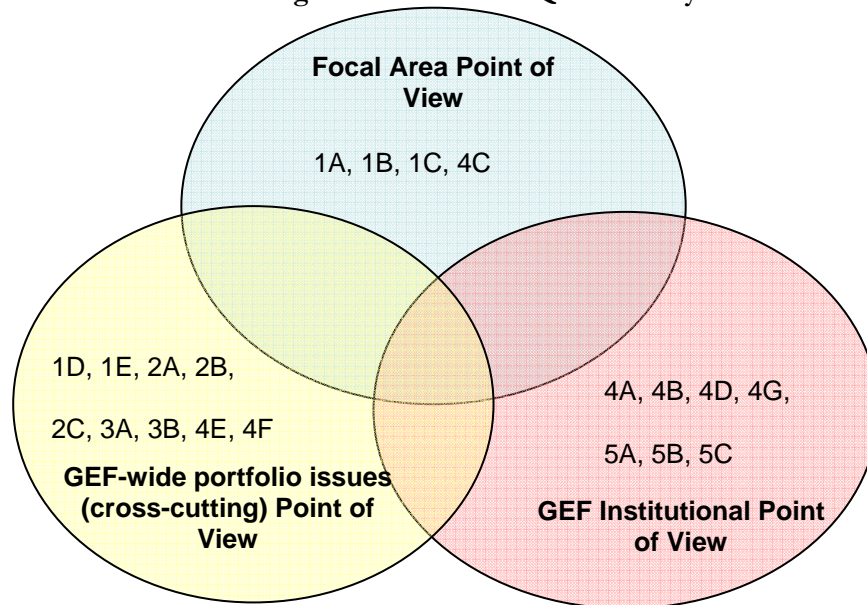
2.1 Developing Thematic Areas of Assessment

Based on its review of the five main areas of assessment outlined in the study TOR, OPS3 grouped the subject matter of the TOR into three broad Points of View (POVs) for purposes of data collection and analysis. This allowed for a more focused and thematic approach to research and assessment of GEF performance. These POVs, as presented in Exhibit 2-1 are:

- the **focal area point of view**, which includes each of the six GEF focal areas;
- the **cross-cutting point of view**, which includes issues concerning, *inter alia*, sustainability, contributions to global benefits, replicability, incremental cost, country-drivenness, the GEF's role as a catalytic institution, and similar issues that can be observed across the GEF's operations; and
- the **institutional point of view**, which includes the effectiveness of the GEF's structure, roles, and responsibilities, and the core processes the GEF uses for conducting its work.

Exhibit 2-1 below describes this general POV framework, and indicates with specific TOR areas were considered part of each POV grouping. A detailed list of the indexed TOR topics is included in Annex A.

Exhibit 2-1. Organization of TOR Questions by POV



15
16

2.2 Evaluation Challenges and Strategies

In addressing the various areas of the OPS3 TOR, there were several distinct challenges and requirements that contributed to the OPS3 approach. These are outlined below.

2.2.1 Results of GEF Activities (TOR 1)

Given the increasing maturity level of certain GEF portfolios, and in the context of recent dialogue on the results of the GEF, there was a clear focus on assessing results as part of the OPS3 study. In addition, this is an area where previous overall performance studies (OPS1 and OPS2) were not able to provide any comprehensive assessment, and where expectations for OPS3 were high.

1 **OPS3 Role in Results Assessment**

2 During initial consultations with the GEF Office of Monitoring and Evaluation (OME), discussions were
3 held on how OPS3 would address the results assessment issue given the objectives of the study, other major
4 recent analyses that had contributed to the study (e.g., Program Studies), and various other constraints such as
5 the general unavailability of impact-level results data and the study timeframe. Three consensus points
6 emerged from these discussions, as follows:

- 7 • OPS3 should focus on assessing overall results of the GEF at the level of the Focal Areas, based on
8 available data synthesized by such reports at the recent Program Studies, through a series of country visits
9 to assess results observed at the country-level, and other available summary data.
- 10 • The recently-completed Program Studies for Biodiversity, Climate Change, and International Waters
11 would serve as one of the *primary* existing sources of detailed data concerning specific results and related
12 issues at the project and Focal Area level. Consideration of the Program Studies as part of the OPS3
13 assessment was supported by the Council in the November 2004 summary meeting documentation.
- 14 • The research conducted by OPS3 during the desk and field study components would look to provide an
15 overview of GEF activities, and would not try to corroborate data at the project level, but would use
16 information collected in the field to corroborate findings from the Program Studies, OPS1 and OPS2,
17 and the rest of the desk study.

18 **Key Challenges to Results Measurement**

19 After conducting an initial desk review, it was clear that TOR1 of OPS3 relating to assessing the results of
20 GEF activities would be problematic. In particular, there would be problems relating to reporting at the level
21 of long-term quantifiable results or impacts (global environmental benefits). This difficulty had been
22 reported by OPS2, and was similarly raised in very recent Program Studies (2004), which also indicated that
23 more recent projects have made progress in including baselines and indicators. However, the results of these
24 newer projects will not be seen for several years. These findings, in addition to the scientific literature,
25 pointed to problems such as:

- 26 • Most projects do not generate information at this level and, more importantly, many projects still do not
27 have clear and agreed baselines or indicators of impacts or methodologies to calculate them.
- 28 • Environmental change may need decades to be perceived or measured, while GEF projects on average
29 span a 4-5 year time period.
- 30 • The GEF does not systematically conduct post-completion studies to look at long-term results.
- 31 • The GEF, as an institution, does not have an overall results measurement framework or methodology to
32 aggregate from project-level impacts to program-level or GEF-wide impacts. There is no existing unified
33 framework in place for systematically defining, measuring, and aggregating results of GEF activities,
34 particularly in terms of global environmental benefits for each of the GEF Focal Areas.

35 OPS3 observed that while mechanisms appeared to be in place to guide development of goals and results
36 during project design, implementation, and reporting (e.g., project log-frames), and individual projects have
37 been assessed against their implementation performance as part of various annual, mid-term and completion
38 reporting, there remains a large gap in the effectiveness of such project-level mechanisms in capturing results
39 at the impact level. Apart from this constraint, there were not mechanisms in place to support the roll-up of
40 impacts should they be identified. In summary, OPS3 was presented with a situation where basic questions
41 concerning what to measure, how to measure, and how to scale up results to the program level were not
42 resolvable, and results did not exist in a form conducive to clear aggregation. Taken as a whole, these
43 observations at the outset of OPS3 indicated that results measurement within the GEF, particular at the

1 impact level, and in terms of global environmental benefits, remained a key challenge for the GEF, and would
2 pose a challenge for the OPS3 study team.

3 **Recognizing non-Quantifiable Results**

4 A sub-theme to the challenges surrounding development of a more practical results measurement framework
5 is how to treat non-quantifiable results of GEF activities. OPS3 was asked to assess both quantitative and
6 qualitative results. OPS3 recognized that there is currently no agreed methodology available in many Focal
7 Areas to support the quantification/aggregation of qualitative or “soft” outcomes, although there have been
8 recent advances made in some areas (e.g., Biodiversity) that may assist the GEF in aggregating such outcomes
9 in the future.

10 Existing studies point out certain outcomes that are either inherently resistant to quantification, or that pose
11 serious difficulties to quantification. Participatory stakeholder consultations under OPS3 were a major source
12 of evidence to support this analysis. OPS3 identified many project-level outcomes that project participants
13 recognized as non-quantifiable yet significant, and that do not link easily to upward aggregation.

14 **2.2.2 Sustainability of Results at the Country Level and GEF as a Catalytic** 15 **Institution (TORs 2 & 3)**

16 The key challenge in assessing issues relating to sustainability and catalytic effects of the GEF was gaining
17 input from key GEF stakeholders at all levels. The OPS3 desk study process provided some input, though
18 this was limited. Project-level reporting data does not lend itself to facilitating this assessment since it is not
19 sufficiently dynamic in presentation to articulate GEF project performance relating to cross-cutting factor
20 such as sustainability catalytic effects of GEF activities. While limited data exists for assessing certain aspects
21 of the questions in these TOR areas (e.g., intended levels of co-financing for evaluating financial leveraging of
22 GEF activities), and the 2004 Program Studies were quite useful in providing both specific and synthesized
23 input, other new data were required from many different perspectives. Given that the GEF’s network
24 structure involves the participation of many key stakeholders, assessing GEF performance on any particular
25 topic generally required a process of triangulation to collect observations from several relevant participants.

26 Accordingly, the key methodological element of the OPS3 assessment of these issues was the extensive series
27 of stakeholder consultations undertaken over the course of the study. These consultations allowed OPS3 to
28 probe the experience and observations of each set of stakeholders to arrive at a fuller picture of the key
29 questions underlying TORs 2 and 3, such as the key elements contributing to sustainability of GEF activities,
30 how effective leveraging occurs on the ground, how the GEF is catalytic, and conversely how the GEF’s
31 processes or procedures may limit the GEF’s effectiveness in achieving sustainability of its efforts, or in
32 maximizing its capacity to catalyze efforts on the ground. The consultative process assisted OPS3 in opening
33 dynamic and iterative lines of inquiry to support its analysis.

34 **2.2.3 GEF Policies, Institutional Structure, and Partnerships, and GEF** 35 **Implementation Processes (TORs 4 & 5)**

36 The questions posed in TORs 4 and 5 required OPS3 to evaluate the GEF’s institutional effectiveness in a
37 number of different areas. In some cases, OPS3 identified definitional challenges to these questions that
38 could pose a barrier to providing a clear and consistent assessment. Certain terminologies used in the TORs,
39 for example the use of institutional performance terms such as “satisfactory” and “responsive”, required the
40 development and articulation of a baseline against which to conduct a clear assessment.

41 Recognizing that assessments of institutional structures, processes and effectiveness often require (and are
42 very conducive to) the use of an overarching analysis framework, OPS3 developed a specific institutional

1 framework to guide its assessment of TORs 4 and 5. This framework included a specific investigative
2 framework to support the research process, and an interpretive framework for assessing the results of the
3 research, conducting analysis, and developing findings and recommendations.

4 For its *investigative framework*, OPS3 developed a Framework for Institutional Expectations Analysis
5 which provided a set of underlying expectations for performance that OPS3 would expect to find in practice
6 based on the GEF Instrument, previous guidance and assessment, and the particular organizational traits and
7 operating context of the GEF institution. For each area of TORs 4 and 5 the institutional analysis compares
8 these ideal expectations to actual performance of the GEF entities and the overall institution.

9 The *interpretive framework* developed by OPS3 drew conclusions about the form of the GEF institution (a
10 network institution), and draws on a body of emerging literature related to network effectiveness to identify
11 key challenges of a network institution and link those to similar challenges observed with the GEF institution.
12 This interpretive framework assisted OPS3 in assessing the results of its research in the context of the GEF
13 institution's particular form and challenges. At the level of findings and recommendations, the interpretive
14 framework assisted OPS3 in communicating how effective the GEF is as a mechanism for supporting,
15 encouraging, planning, managing, funding, monitoring, and evaluating environmental action on a global basis.
16 A more detailed discussion of this interpretive framework is included in Section IV of the report.

17 **2.3 Elements of the OPS3 Approach**

18 **2.3.1 OPS3 Methodology**

19 An overall methodology for conducting OPS3 was developed during the inception phase of the study, and a
20 detailed methodology document can be found at
21 <http://www.gefweb.org/MonitoringandEvaluation/MEPublications/MEPOPS/mepops.html>. This report
22 does not present that methodology in full. However, this section provides a brief overview of the principal
23 components of the methodology including discussion of the OPS3 Research Agenda, the Desk Study, and the
24 Field Study.

25 **Research Agenda**

26 Research Agendas for each TOR were developed to guide both initial fact-finding during the desk study
27 component and stakeholder consultations during the field study component. The Research Agendas are
28 comprised of sets of issues, concerns, and specific questions arising from the OPS3 inception planning
29 process.

30 **Desk Study**

31 OPS3 carried out a desk study and field study as its two primary research activities. The desk study included
32 a review of key existing documents developed to coincide with OPS3 (e.g., Program Studies and draft version
33 of the Local Benefits Study), in addition to specific project and monitoring and evaluation documents that
34 pertained to specific TOR topics, and to countries and projects to be assessed during the field study
35 component. Key initial information/evidence from the desk study process was assessed by OPS3 and
36 incorporated into a master database of initial evidence to support the implementation of the field study
37 component.

38 **Field Study: Participatory Stakeholder Consultations**

39 As outlined in the overall OPS3 methodology, and as requested in the OPS3 TOR, OPS3 conducted
40 extensive participatory stakeholder consultations as a major element of its research. Efforts were made to

1 consult all major key stakeholders within the GEF family, so as to bring the full range of perspectives to bear
 2 on all key areas of the TOR. As noted, these consultations were focused around the Research Agendas
 3 developed to guide OPS3 research activities.

4 Consultations were conducted on both an individual and group basis, and included consultations involving
 5 more than 600 GEF stakeholders. In collaboration with GEF OME, OPS3 conducted 11 regional
 6 stakeholder workshops, where Implementing Agencies, operational and political Focal Points, NGOs,
 7 government representatives, and others were brought together for consultations on regional and local efforts.
 8 Individual consultations occurred on an ongoing basis, both during visits to 17 countries, and as-needed in
 9 order to reach many of the key GEF institutional partners (e.g., GEF Secretariat, Implementing and
 10 Executing Agencies, GEF OME, STAP, NGO Network, Trustee, Convention representatives, and private
 11 sector representatives). Exhibit 2-2 below summarizes the number and types of stakeholders consulted
 12 during the field study component.

13 **Exhibit 2-2. Participatory Stakeholder Consultation Summary Data**

Interviewee Classification	Number of Interviews
Total Interviewees	619
Countries Visited	17
Focal Points	71
NGO Representatives	143
Project Managers	60
GEF Council Members	10
GEF Trustee Members	4
M&E Staff	7
Government Officials	114
Academic Representatives	8
Implementation Agency Staff:	142
UNDP Staff	51
UNEP Staff	39
WB Staff	41
EA Staff	12
Convention Staff	19
GEF Secretariat	26
Private Sector Representatives	15
Others	2

14
 15 **2.3.2 Evidence and Findings Development**

16 **Development of Evidence to Support Findings**

17 To develop key findings, evidence was reviewed from the desk and field study components. Evidence from
 18 key existing studies such as the 2004 Program Studies was considered as a significant baseline set of
 19 information, however OPS3 sought to corroborate such evidence through its field study component
 20 (participatory stakeholder consultations). Assessing the significance and validity of the evidence collected by
 21 the OPS3 field study required a separate vetting process. OPS3 determined significance and validity by
 22 assessing each piece of evidence against specific criteria. Evidence was considered valid and significant if it
 23 met two out of the following four criteria:

- 24 • Evidence corroborated the desk study
- 25 • Evidence was supported within a stakeholder group

- 1 • Evidence was supported across multiple stakeholder groups
- 2 • Evidence was supported across multiple field visits.

3 **Organization of Findings**

4 In order to develop key findings, it was necessary for OPS3 to first sort initial findings into *summative* and
5 *formative* findings. Summative findings based on evidence concerning observable results were developed and
6 assessed to identify larger patterns and trends in performance, most specifically to determine if results were
7 being produced, and the kinds of results produced.

8 Formative findings were developed to assess the process of how the GEF achieves its results. These findings
9 centered on how results are achieved under the GEF, and whether results were being achieved effectively and
10 efficiently by the GEF institution.

11 Both sets of findings were drawn on as necessary to develop final key findings and recommendations for each
12 of the areas of the TOR..

SECTION II: FOCAL AREA ANALYSIS

3. Focal Area Portfolio Analysis

From 1991 through March 2005, GEF approved a total of US\$5.25 billion for full-size and medium-size projects, as well as enabling activities, to over 160 countries to achieve global environmental benefits across the six focal areas (biodiversity, climate change, international waters, land degradation, ozone depletion, and persistent organic pollutants), as shown in Exhibit 3-1. Of this total figure, approximately US\$1.7 billion (35 percent) has funded multi-country projects.⁷

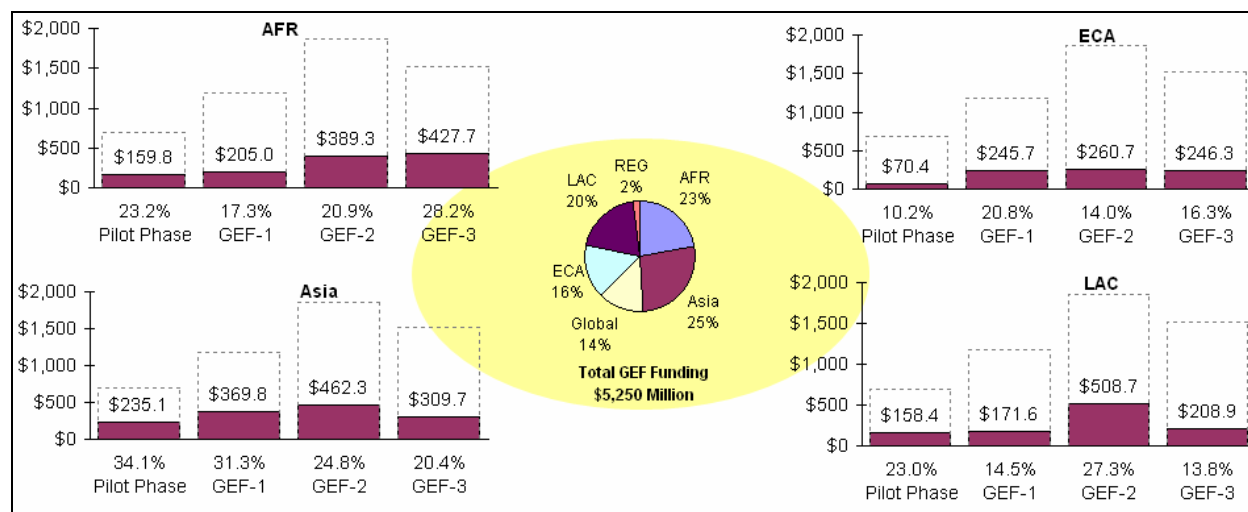
Exhibit 3-1. Total GEF Funding, 1991 – March 2005

Focal Area	US Dollars (Millions)	Percent
Biodiversity	\$ 1,906.3	36%
Climate Change	\$ 1,747.4	33%
International Waters	\$ 768.3	15%
Multi-focal Areas	\$ 457.9	9%
Ozone Depletion	\$ 177.2	3%
POPs	\$ 121.3	2%
Land Degradation	\$ 72.2	1%
Total	\$ 5,250.5	100%

The Biodiversity and Climate Change focal areas together account for the overwhelming majority of GEF’s project portfolio in terms of funding, representing 70 percent of the overall GEF funds committed 1991 through March 2005. While funding for all focal areas has increased over time, the share of total GEF funds attributed to the various focal areas has remained relatively constant across the GEF periods.

The geographic distribution of GEF funds overall, and in each GEF period, is shown in Exhibit 3-2. Overall, since 1991, Africa and Asia have together received about half of global GEF project financing.

Exhibit 3-2. GEF Funding by Region

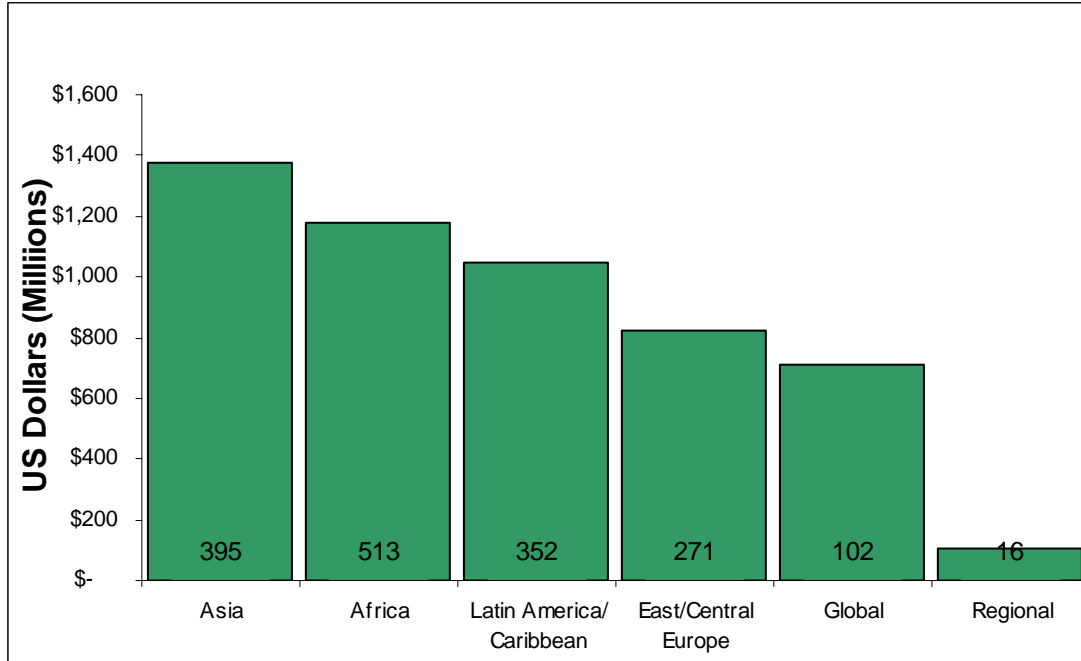


While the value of GEF’s portfolio has grown significantly over time, the shares of total funding received by particular regions have remained relatively constant from 1991 through the current (GEF-3) period. The figure below illustrates that projects’ sizes, however, are not necessarily consistent across regions. For

⁷ Multi-country projects include more than one country, whereas regional projects are across more than one region and global projects are across more than two regions.

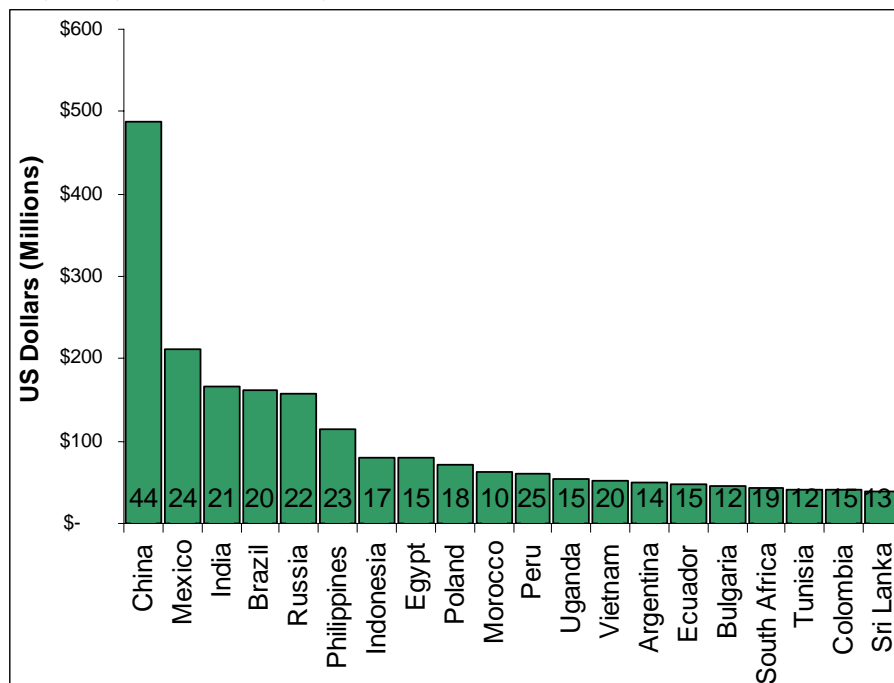
1 instance, while Africa has received \$1,181.8 million, or 23 percent of the global total funds, 513 projects
2 constituting 31% of the number of projects worldwide have been completed or approved in Africa. [more](#)
3 [regional comparison will be provided in the next draft](#)

4 **Exhibit 3-3. GEF Funding and Number of Projects by Region (1991-March 2005)**



5
6 Excluding regional and global projects (which accounted for \$106.4 million and \$712.6 million, respectively),
7 GEF has funded 1,531 projects in 151 countries and regions since 1991, totaling \$4,431.6 million. As shown
8 in the figure below, particular countries have received significant shares of global funding and project
9 numbers. Indeed, the top 20 recipients of those 151 (13 percent of countries) represent 59 percent of total
10 funding.

1 **Exhibit 3-4. GEF Funding and Number of Projects by Country, Excluding Global and Regional**
 2 **Projects (1991-March 2005)**



3

4 **3.1 Biodiversity**

5 **3.1.1 Scientific and Historical Context**

6 Scientific Context

7 “Human population growth, unsustainable consumption habits, increasing production of waste and
 8 pollutants, urban development, international conflict and continuing inequities in the distribution of wealth
 9 and resources”⁸ are the primary root causes of biodiversity loss. Reports of species extinction indicate that
 10 “the current rate of extinction is many times higher than the ‘background’ rate that has persisted over long
 11 periods of geological time (one bird or mammal species lost only every 500 to 1,000 years.”⁹ A declining
 12 number of species and conversion of natural ecosystems may alter and reduce crucial environmental services.
 13 Reduced species diversity limits the ability of natural ecosystems to withstand change, both from natural
 14 causes and human activities.

15 Land use change and conversion poses the most significant threat to biodiversity, especially in tropical
 16 regions. Forests, some of the most species-rich ecosystems, have faced the greatest threats due to
 17 deforestation, as have coral reefs, wetlands, and other water ecosystems. Other sources of biodiversity loss
 18 include climate change, pollution, over-harvesting of natural resources, and the introduction of exotic species.

19 The Convention on Biodiversity (CBD), which entered into force in 1993, aims to conserve biodiversity,
 20 promote sustainable use of biodiversity components, and share the benefits of genetic biodiversity fairly and
 21 equitably.

⁸ State of Environment briefing, p 11.

⁹ State of Environment briefing, p 11.

1 **Historical Context**

2 While OPS2 found it premature to estimate the precise impact the Biodiversity Program had on the status of
 3 global biodiversity, the study concluded that the GEF had “laid the foundation for a concerted, science-based
 4 effort to stem biodiversity loss.” OPS2 noted significant achievements in building national, regional, and
 5 global partnerships, creating an information base, and developing tools, methodologies, and human and
 6 institutional capacities to address exploitation of biodiversity. In particular, OPS2 found significant advances
 7 in demonstrating community-based conservation within protected areas and, to a lesser extent, in production
 8 landscapes. OPS2 pointed out, however, that no guidance had been received from the CBD on what an
 9 optimal distribution of projects should be for a balanced portfolio.

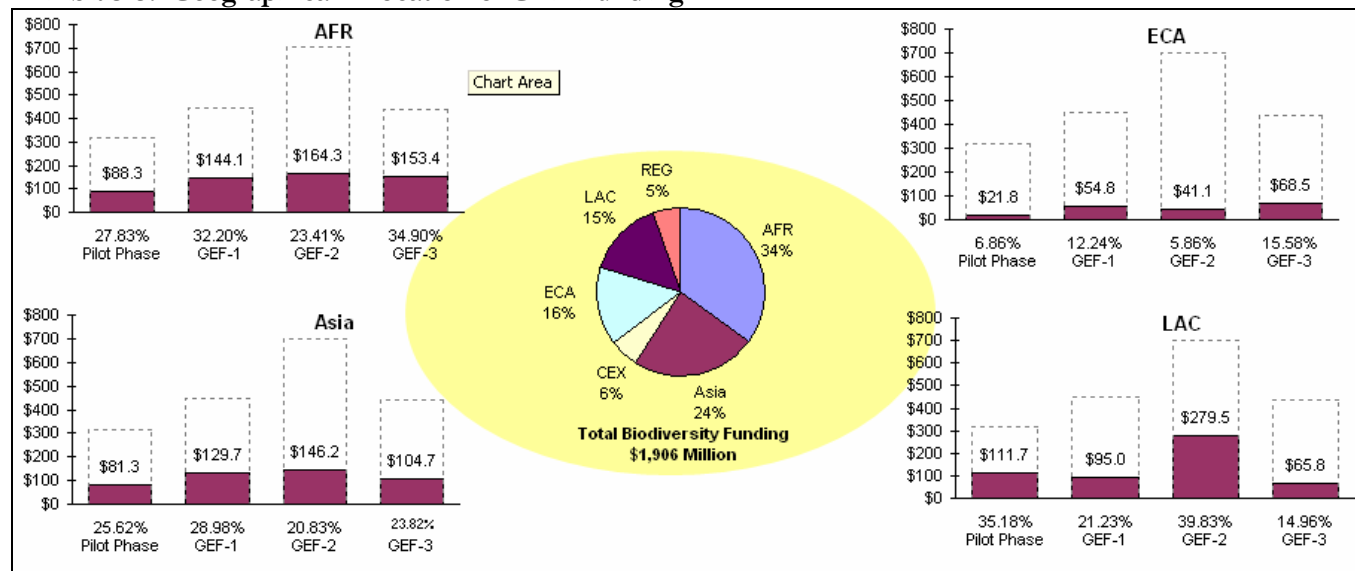
10 OPS2 concluded that the consideration of livelihood alternatives in biodiversity projects is crucial for long-
 11 term biodiversity conservation at local levels and should be emphasized in all GEF projects. Additionally,
 12 OPS2 felt that the GEF could continue to improve the efficiency with which the Biodiversity Program
 13 delivers global benefits through increasing its emphasis on incorporating lessons learned in the field into the
 14 design and implementation of new projects, together with improving M&E.

15 **3.1.2 Portfolio Analysis**

16 **Geographic Distribution**

17 GEF’s biodiversity portfolio funding totals \$1.9 billion from 1991 through March 2005. Exhibit 3-5 shows
 18 the geographic distribution of total GEF biodiversity financing (of full-size and medium-size projects, as well
 19 as enabling activities) from 1991 through March 2005, and in GEF-1, GEF-2, and GEF-3. GEF’s biodiversity
 20 portfolio has grown significantly over time from a total of \$448 million during GEF-1 to a total of \$702
 21 million during GEF-2, and has reached almost \$440 million as of March 2005, though GEF-3 is only two-
 22 thirds complete.

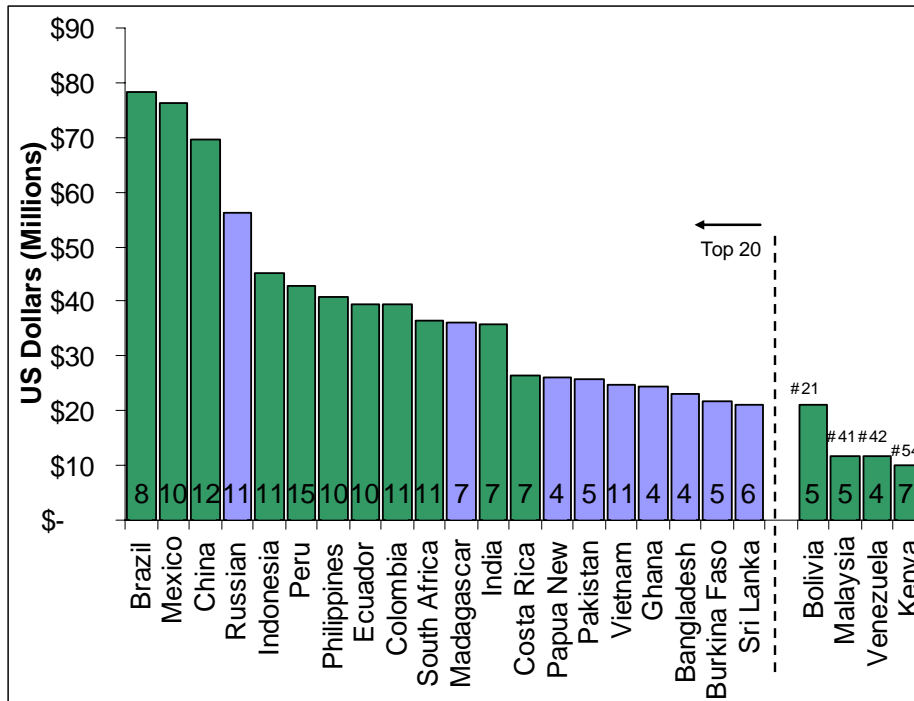
23 **Exhibit 3-5. Geographical Allocation of GEF Funding**



24
 25 Excluding multi-country projects (which accounted for \$408 million), GEF has funded 617 biodiversity
 26 projects in 149 countries since 1991, totaling almost \$1.5 billion. The top 20 recipients of those 149 (13
 27 percent of countries) represent 53 percent of global biodiversity funding.

1 GEF's 2004 Biodiversity Program Study notes the correlation between countries with the largest allocation of
 2 GEF biodiversity funds and those proclaimed "megadiverse." Of the 15 countries known as "Like-Minded
 3 Megadiversity Countries" (those shown in green in Exhibit 3-6), estimated to hold 70% of the world's
 4 biodiversity, 11 are among the top 20 recipients of GEF biodiversity funds. The remaining 4 countries in this
 5 group place 21st, 41st, 42nd, and 54th, and are also shown on the figure. Though prioritizing these countries
 6 has not been a stated policy of the GEF Biodiversity Program, these countries have received a large
 7 percentage of GEF resources for biodiversity conservation.

8 **Exhibit 3-6. Biodiversity Funding and Number of Projects by Country, Excluding Regional and**
 9 **Global (1991-March 2005)**

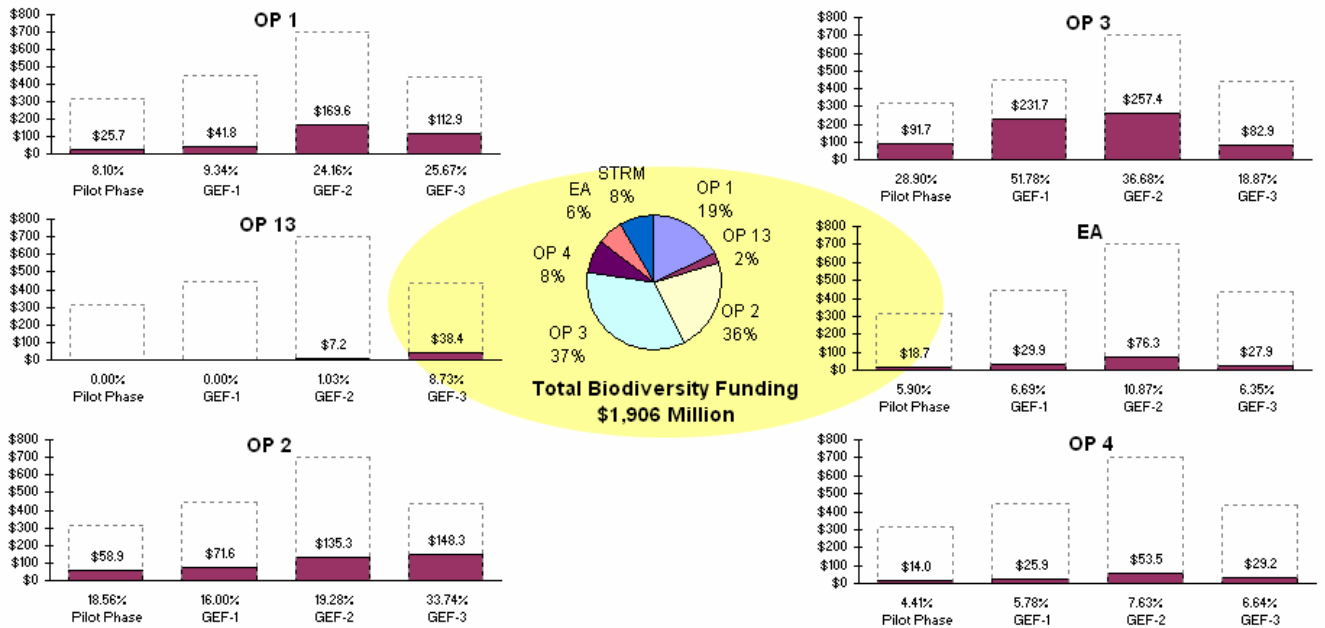


10

11 **Operational Programs**

12 Exhibit 3-7 shows the allocation of biodiversity funds by OP across the GEF phases. As shown, OP3 and
 13 OP2 have accounted for over 70 percent of all GEF biodiversity funding over the period 1991-March 2005.

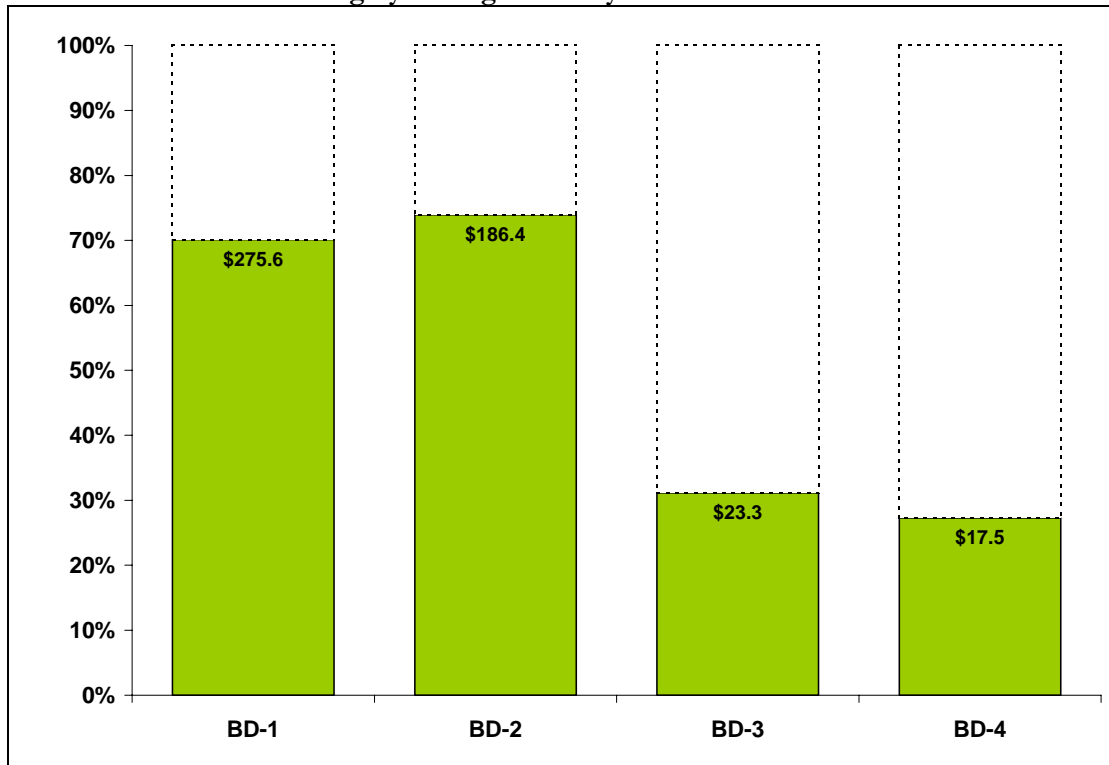
1 **Exhibit 3-7. Allocation of GEF Funding by Operational Program**



2

3 Exhibit 3-8 presents GEF-3 funding in each Biodiversity Program Strategic Priority to date (May 2005). As
 4 shown, projects have been approved in Strategic Priorities 1 and 2 equaling about 70 percent of the total
 5 resource envelopes allocated in the GEF FY05-07 Business Plan.

6 **Exhibit 3-8. GEF-3 Funding by Strategic Priority**



7

1 **3.1.3 Contributions of the GEF to Biodiversity Conservation**

2 Current evidence from the BPS2004 and the OPS3 desk study and stakeholder consultations found that the
3 GEF biodiversity program has provided significant outcomes at the project level, but has not been able to
4 aggregate impacts at the global level.

5 **Impacts of the GEF Biodiversity Program**

6 The overarching mission of the United Nations Convention on Biological Diversity (CBD) is to support
7 activities to halt or reduce global biodiversity loss attributable to human actions. Given the characteristics of
8 biodiversity components, changes to their status may take a decade or more to produce measurable impacts.
9 Because of the type of program interventions that have been undertaken to date (i.e., projects averaging 3.5 to
10 5.5 years), rather broad guidance from the CBD, and the absence of an articulated long-term strategy, OPS3
11 finds (in corroboration with the 2004 Biodiversity Program Study) that it is not possible to determine the
12 GEF's cumulative impact on the global biodiversity conservation at this time (please refer to Section 3.1.4
13 below, which discusses the difficulties associated with measuring impacts in biodiversity). That said, some
14 projects have measured and reported on impacts, such as the Ecomarkets project in Costa Rica which OPS3
15 visited (see text box below).

16 In general, as pointed out in the BPS2001, OPS2, and BPS2004, the GEF Biodiversity Program still suffers
17 from a lack of tools to measure program-level impacts, as opposed to outcomes. Impacts in the Biodiversity
18 Program would be at the level, for instance, of species saved or populations bolstered, a measure which
19 remains in development and difficult to apply. To this end, the BPS2004 recommended that “links between
20 project-level indicators of outcomes and impacts and their relationships to indicators of the program goal
21 (that is, changes in the status of global biodiversity) must be more clearly established, and dedicated work on
22 this topic should be undertaken.” Based on its own experience in attempting to identify progress in impacts,
23 OPS3 strongly endorses this recommendation.

24 Thus, OPS3 believes that the GEF, as likely the world's largest government-funded mechanism for
25 biodiversity conservation in developing countries, has had a notable impact on slowing or reducing the loss of
26 biodiversity, although global trends in biodiversity loss continue to be downwards. Indeed, as addressed in
27 detail in the section below, the GEF has been widely credited with helping to achieve the global goal of
28 putting 10 percent of the world's land under protection.

29 To date, the GEF has provided funding in the biodiversity focal area in the amount of \$1.9 billion in project
30 support. Because there is no evidence to support success in achieving long-term impacts of the program,
31 however, the discussion provided here, like previous discussions in the BPS2001, OPS2, and BPS2004, will
32 address GEF biodiversity results at the level of outcomes. The issue of measuring impacts is discussed in
33 more length in Section 3.1.4.

34 **Outcomes of the GEF Biodiversity Program**

35 This discussion is centered on outcomes related to the three objectives of the CBD,¹⁰ and also touches on
36 various other outcomes, which are explored in depth in the BPS2004¹¹ and supported by specific findings
37 from the OPS3 field visits and desk study:

¹⁰ The three objectives of the CBD are: the conservation of biological diversity; the sustainable use of its components; and the fair and equitable sharing of benefits arising out of the utilization of genetic resources.

¹¹ Findings cited from the BPS2004 are based on the project cohort selected by the study, which included 141 projects.

- 1 • Conservation of biological diversity in protected areas;
- 2 • Sustainable use of biological resources;
- 3 • Access and sharing of benefits arising from the use of genetic resources; and
- 4 • Other outcomes, including creating enabling environments, mainstreaming biodiversity, invasive alien
- 5 species, taxonomy, and agrobiodiversity.

6 **Biodiversity Conservation in Protected Areas (PAs)**

7 Despite the fact that the GEF was given no direct guidance on PAs from the CBD until COP7 (February
8 2004), PAs have featured prominently in the GEF portfolio. Between FY91 and FY03, approximately 75
9 percent of the projects in the GEF biodiversity portfolio have supported activities related to protected areas.
10 GEF inputs have played an important role in the notable increase in protected area coverage over the past
11 decade. As reported in the BPS2004 and also found by OPS3, the GEF has been credited by many with
12 helping to achieve the global goal of 10% of the world's land area under protection. Indeed, by the end of
13 FY04, the GEF had supported investments in 1,426 protected areas, covering nearly 269 million hectares,
14 which constitutes almost 17% of the total terrestrial land area protected globally.¹²

15 In addition to its important contribution to this global goal, the GEF Biodiversity Program has successfully
16 met and in fact far exceeded the performance targets set in the Third Replenishment Agreement. At the
17 November 2004 GEF Council meeting, the GEF Secretariat estimated the projects approved in FY03 and
18 FY04 would put 46,080,334 additional hectares of land under improved management for conservation or
19 protection, representing an achievement of 271 percent of the replenishment target. For productive
20 landscapes, including land around protected areas that are under productive use, but support habitats and
21 ecosystems, it was estimated that FY03 and FY04 project approvals would place under conservation
23 38,968,527 hectares, or 557 percent of the replenishment target (GEF/C.24/3).

25 Among completed projects, the BPS2004
27 reported that many existing parks and new
29 PAs have received support from the GEF,
31 and that important expansions of protected
33 area networks were identified in Comoros,
35 Brazil, China, Madagascar, and the
37 Philippines. The BPS2004 also found the
39 concept of scaling up to larger landscape
41 level approaches, including corridors and
43 transboundary conservation areas
45 demonstrated in the the Belize Northern
47 Corridors. During its field visits, OPS3 also
49 identified examples of scaling up that
51 corroborate these findings by BPS2004,
53 including the World Bank Projects in Brazil
55 (ARPA) and the MesoAmerican Corridor
57 (see [TOR 2A](#)).

Exhibit 3-9. Scaling Up in Brazil

In Brazil, a general “scaling-up” from earlier disparate biodiversity projects can be observed through current efforts to conserve biodiversity on the scale of biomes. In 2000, GEF approved the \$30 million dollar Amazon Region Protected Areas Program (ARPA). This project was designed to support expansion and consolidation of strict protected areas in the Amazonian region. The project emerges from a GOB commitment to expand effective strict protection in the Amazon to cover at least 10% (37 million ha) of the Amazon forest biome (370 million ha). Furthermore, the Brazilian government made the choice to focus their Small Grants Program entirely on one biome, “cerrado,” which is the equivalent of the savanna. All SGP grants go to projects that promote biodiversity conservation in this biome, which extends over a large expanse of central and northern Brazil. There is also current a full-sized project in the GEF pipeline called the Brazilian Cerrado Umbrella Program, which aims to provide a framework for formulating and implementing, at the state and federal levels, a coherent, consolidated, integrated program and the financing of investments for the conservation and sustainable use of the cerrado biome.

¹² United Nations Environmental Program World Conservation Monitoring Center (UNEP-WCMC). 2003. “2003 United Nations List of Protected Areas.” Cambridge, UK: Jointly published by IUCN and UNEP WCMC.

1 BPS2004 also found that the GEF Biodiversity Program had resulted in strengthened legal and policy
 2 frameworks. Indeed, several projects that the BPS2004 examined reported having supported the drafting and
 3 proposal of new legislation including amendments to existing PA laws, support to new protected areas laws,
 4 and new management plan regulations. Again, OPS3 found many instances of strengthened legal and policy
 5 initiatives, including the Brazil National Biodiversity Project., which created an institutional structure in the
 6 Brazilian government for biodiversity.

7 Stakeholders in several regions also reported that GEF biodiversity projects in their countries had resulted in
 8 this strengthening. For instance, the Russian Biodiversity Conservation Project was seen by stakeholders as
 9 crucial in providing support needed to maintain and amplify the system of PAs that had been in place before
 11 fall of Soviet Union. One focus of the project was the Lake Baikal area, which includes parts of three regions

Exhibit 3-10. Strengthened Institutional Framework in Brazil

In 1991, the GEF approved the \$10.275 million Brazilian National Biodiversity Project (PROBIO), managed by the World Bank. The Brazilian Ministry of the Environment is using PROBIO to gather economic and social data to help the Ministry influence other government sector plans. This project was developed in tandem with the Brazilian Biodiversity Fund project (FUNBIO).

OPS3 meetings with project stakeholders from PROBIO and FUNBIO found that these projects have been perceived as very successful and transparent. One of the greatest successes attributed to these projects is the development of a forum in which to discuss conservation in the context of development and the creation of an institutional structure in the Brazilian government for biodiversity. The project stakeholders considered this process to be long and challenging and they attributed the success of the project to a great deal of awareness raising and outreach. Several new projects have been based on PROBIO. One of the most prominent of these is the Amazon Region Protected Areas Program (ARPA), approved in 2000. This project supports the expansion and consolidation of strict protected areas in the Amazonian region, and has been credited with using landscape level approach in the development of protected areas.

27 (states). That portion of the project led to the drafting of federal and state legislation that protected the area
 29 and to the formalization of inter-region relations and relations between the regions and the federal
 30 government with regard to managing economic development in an ecologically sensitive way.

31 The BPS2004 also found that about 10 percent of the projects they reviewed had reported support for setting
 32 up innovative financing mechanisms to support the recurrent cost of protected areas, including visitor fee
 33 systems, tax systems, and trust funds, or support for conducting valuation studies to find new and diversified
 34 products. OPS3 found several examples of innovative financing options for protected areas during its field
 35 visits that support this finding by BPS2004, including in the Ecomarkets project in Costa Rica, which
 37 established a financial instrument to support conservation easements.

Exhibit 3-11. Ecomarkets in Costa Rica 39
 In 1999, the World Bank, in collaboration with FONAFIFO, 41
 received GEF approval for the \$8.3 million Ecomarkets project 43
 in Costa Rica. This project has had unique and significant 45
 success in terms of establishing a financial instrument to support 47
 conservation easements. The forestry laws in Costa Rica 49
 recognize that the forest provides services (protection of water 51
 resources, protection of biodiversity, mitigation of the impact of 53
 pollutant emissions, and aesthetic value) which should be paid 55
 for. The Ministry of Environment and Energy (MINAE) decided 57
 that an average of \$40 USD paid for each conserved hectare of 59
 forest would cover all four of these services. The citizens of 61
 Costa Rica pay for these services through a fee linked to their 63
 water use. GEF funds for the Ecomarkets project go to areas 65
 of particular importance to the Meso-American Biological Corridor 67
 In these areas, GEF funds pay for \$10 of the \$40 dollars. 67

In addition, the BPS2004 reported that many projects supported successful management and planning initiatives, including the establishment of new management structures and planning units, drafting of management plans, and establishment of collaborative management agreements. For instance, the ongoing Cape Peninsula project in South Africa, managed by the World Bank, which OPS3 also visited, is expected to set international standards for best practices in management, planning and implementation. However, few projects reviewed by the BPS2004 reported success in implementing draft

69 management plans as a result of several factors, including overly complex plans, non-prioritized actions

1 within the plans, a lack of capacity or resources for implementation, and strained relations with communities.

2 Other outcomes identified by the BPS2004 in the field of biodiversity conservation in protected areas include
3 the reinforcement of park staffing (although the BPS2004 cautioned that the use of external funds to pay for
4 the recurrent cost of staffing often poses major problems with respect to sustainability) and local benefits for
5 neighboring communities (as discussed in more depth in the GEF Office of M&E's draft Local Benefits
6 Study).

7 To determine whether these aggregated outcomes across the GEF biodiversity portfolio have delivered
8 greater PA management, the BPS2004 attempted to employ the Management Effectiveness Tracking Tool
9 (METT), which was designed by the World Bank and WWF. Because the BPS2004 was not available to use
10 the METT effectively, it recommended that clearer definition of both the diagnostic and analytical capabilities
11 of the METT was needed to enable it to better fulfill its function for the GEF Biodiversity Program.

12 With respect to conservation impacts as a result of better management of PAs, the BPS2004 found
13 discouraging results. More than half of the completed PA projects reviewed by the BPS2004 reported little or
14 no positive biodiversity impacts, and other projects reported possibly negative impacts. While BPS2004
15 suggested that this may be a result of shortcomings in monitoring at the project level rather than the true
16 impact of GEF-supported biodiversity projects, it firmly concluded that the linkage between outcomes and
17 impacts in the GEF Biodiversity Program have yet to be established. The BPS2004 recommended that
18 "despite GEF's very significant financial and technical contribution towards expanding the world's PAs and
19 PA networks and enhancing their management, the GEF has yet to conduct a study that looks at the
20 aggregate contribution of local, project, or site-level outcomes and impacts in PAs to the GEF's overall
21 contribution to higher level, global biodiversity impacts." Noting that OPS3 also found it impossible to
22 aggregate to the level of impacts, OPS3 strongly endorses this recommendation and discusses the issue of
23 measuring results in more detail in Section 3.1.4 below.

25 **Sustainable Use of Biodiversity Resources**

27 Sustainable use of biological resources is one
29 of the three objectives of the CBD, and is
31 essential to achieve the broader goals of
33 sustainable development. Regarding
35 sustainable use, the GEF Operational Strategy
37 explains that it "is not possible to conserve all
39 species in a region by using conservation areas
41 alone. Biodiversity conservation and
43 sustainable use must also be achieved outside
45 the designated conservation areas, including
47 protected areas, and must be integrated into
49 the management of the natural and modified
51 surrounding areas." Approximately one third
53 of the projects reviewed in the BPS2004
55 could be considered to have the sustainable
57 use of a particular biodiversity component as
59 their primary objective.

61 One outcome of biodiversity projects is the
63 generation of alternative or additional income
65 for local populations. In support of the BPS2004 finding that these project activities can produce alternative
67 income, OPS3 found examples of activities that were generating alternative income during its field visits. For
69 instance, a project in Burkina Faso has provided alternative means of income for community members

Exhibit 3-12. Optimizing Biological Diversity in Burkina Faso

As OPS3 found during its meeting with project managers in Burkina Faso, the wildlife ranching project has achieved many successes. Integration of local communities has been quite successful, as all employees of the park are reported by park management to live in areas adjacent to the park. The ranch itself has provided alternative means of subsistence for many community members; this has had the positive effect of reducing traditional unsustainable burning and cropping practices that would likely otherwise continue to occur. Through wildlife inventories that have been taken regularly since the project's implementation, it is evident that the positive impacts on biodiversity resulting from the project are substantial. Several wildlife species have returned from low population levels in recent years; this success and the management practices instituted contribute to the park's ability to charge game hunters who visit the ranch for sport, resulting in significant cash flow.

1 through ranching operations. However, while many GEF-supported activities may be linked to creating
2 alternative incomes for local communities, the BPS2004 found that several projects reported activities not
3 producing enough income for the population, and thus demand for the targeted resource in fact increased.
4 [next draft will include findings on this subject from the draft Local Benefits Study]

5 Biodiversity projects have also resulted in the preparation and implementation of natural resource
6 management plans. The BPS2004 found that projects that have developed such management plans with
7 GEF support have succeeded in involving a broad range of stakeholders at many levels, from government
8 institutions to local communities. Similarly, OPS3 encountered a number of projects that have assisted in or
9 been responsible for drafting a management plan for a particular resource or area. For instance, as the
10 BPS2004 pointed out, a project within the Jozani Chwaka Bay National Park in Tanzania designated use and
11 non-use zones through stakeholder consultation and the development of community management plans;
12 OPS3 also visited this project and confirmed these outcomes.

13 Given that COP7 invited the GEF to assist in the implementation of the Addis Ababa principles, the
14 BPS2004 recommended that this would provide an opportunity to make a linkage between the
15 operationalization of these principles and the Malawi Principles for ecosystems approach. To improve the
16 chance of success, BPS2004 recommended that the operationalization of these principles should encourage
17 partnerships between GEF and other actors, particularly the private sector, at all levels, and from small-scale
18 producers to intensified industrial production systems. OPS3 endorses this recommendation as an important
19 means to increasing the outcomes in the field of sustainable use.

20 **Access and Benefit Sharing of Genetic Resources between Countries**

21 As BPS2004 noted, the GEF has funded a number of enabling activities for countries to assess their needs
22 and capacities in support of access and benefit sharing (ABS), and some GEF projects have addressed ABS
23 issues within project design. The Second CBD Review noted that the GEF had indicated a commitment to
24 supporting specific 'benefit sharing initiatives,' such as policy, regulatory, and institutional frameworks for
25 mechanisms that will facilitate access to genetic resources and benefit sharing.

26 Reviews conducted for BPS2004, however, found that few projects reported on this topic, achievements or
27 otherwise. Indeed, this objective has received the least attention of the three CBD objectives among GEF
28 funded activities. During its field study, OPS3 also found that the GEF has not adequately addressed this
29 objective. To that end, in February 2004, the 7th Conference of the Parties (COP) to the CBD, requested
30 the GEF "to provide financial resources for country-driven projects based on national priorities that assist
31 with the implementation of the Action Plan in support of the implementation of the Bonn Guidelines on
32 Access to Genetic Resources and Fair and Equitable Sharing of Benefits Arising Out of their Utilization,"
33 and "to support capacity-building regarding the transfer of technologies which enables providers to fully
34 appreciate and actively participate in benefit-sharing arrangements at the stage of granting access permits."

35 The BPS2004 found that part of the reason that more significant outcomes have not been achieved in this
36 area is the current lack of clarity on ABS in the context of the CBD. To this end, the BPS2004 concluded
37 that once the COP negotiates and puts in place an ABS regime, the GEF Biodiversity Program will be better
38 situated to appropriate direct its resources; BPS2004 further recommended that clarity is needed among all
39 parties involved in communications involving ABS.

40 **Other Outcomes of the GEF Biodiversity Program**

41 *Enabling Environment*

42 The BPS2004 found that the majority of GEF-financed projects included components that seek to improve
43 the enabling environment for conservation and sustainable use of biodiversity. The enabling environment
44 includes contextual factors that are recognized as playing major roles in progress towards biodiversity loss,

2 including those identified by the 2003 GEF M&E study Measuring Results of the GEF Biodiversity
 4 Program—policy, information, capacity, and finance. Improving the enabling environment has also been

Exhibit 3-13. Increased Public Awareness and Knowledge Generation from the Sabana-Camaguey Ecosystem Project	6
In 1998, UNDP received GEF approval for the \$3.889 million Priority Actions to Consolidate Biodiversity Protection in the Sabana-Camaguey Ecosystem (SCE) project in Cuba. In its meetings with stakeholders of the SCE project during its field visit to Cuba, OPS3 found that the scientific benefits achieved from the first phase of the project were of particular importance to Cuba. Project proponents reported that the best local scientists have been working on this project in both Phase 1 and Phase 2, and that the resulting local capacity and understanding has had a significant impact on tourism planning by the government. The stakeholders cited the importance of having the necessary knowledge to substantiate their documentation that went to the government decision-makers on these issues. Indeed, one of the key successes of this project has been the education, training, and increased awareness of many decision makers, project managers, developers, and local people.	8 10 12 14 16 18 20 22 24 26 28 30 32 34 36 38 40 42

undertaken at the international level in some GEF projects, as the BPS 2004 pointed out, through such activities as international policy, development, information exchange, and research.

One way that GEF biodiversity projects create an enabling environment is through creating and implementing national priorities or legislative action. The BPS2004 found GEF projects to have documented a wide range of achievements in influencing policy and legislation; indeed more than 50 percent of the projects reviewed in the study reported achievements in this area, including helping countries develop stronger protected area systems, securing the legal status of a particular protected area, and working on legislation related to land use and natural resource management. Approximately 15

44 percent of projects examined by the BPS2004 reported achievements in the area of implementing or
 46 enforcing national policy or legislation, such as the enforcement of protected area laws. Despite these
 48 positive outcomes, the BPS2004 also reported some legislative setbacks in the form of unexpected delays in
 50 legislative process and unclear or inappropriate government policies that remain in place.

52 A second tool for forming an enabling environment is by generating public awareness and improving
 54 environmental education. Acknowledging that little information about the achievement of measurable
 56 outcomes is available in this area, the BPS2004 found that about two-thirds of the projects the study reviewed
 57 reported improving public awareness and environmental education, including conducting environmental
 58 education programs at local, sub-national, and national levels. OPS3 also found evidence of increased public
 59 awareness during its field visits; for instance, increased awareness of biodiversity was an outcome of the
 60 Sabana-Camaguey Ecosystem project in Cuba. In addition to the local and national levels, there has been
 61 some speculation regarding whether the GEF has raised the overall level of global awareness of biodiversity
 62 conservation. The BPS2004 reported that while some practitioners conjectured that this is the case, other
 63 observers opined that the international profile of biodiversity conservation has waned recently.

64 Partnerships are also an important outcome of biodiversity projects that broaden the catalytic effect of the
 65 GEF. Over 50 percent of projects reviewed by the BPS2004 reported achievements in creating partnerships,
 66 including those with local and national governments, local and national NGOs, academia, the private sector,
 67 donors, other general stakeholders, and other projects and international initiatives. OPS3 found that such
 68 partnerships can also work to mainstream biodiversity at the local and national levels, as well as improve
 69 coordination within countries. For instance, in addition to keeping the federal biological reserves intact, the
 70 previously discussed “Russian Biodiversity Conservation Project” was able to add significant regional and
 71 local reserves by developing strong regional partnerships for the planning of reserves.

72 Outcomes are also achieved in knowledge generation, including at the level of environmental science and
 73 practice, and knowledge sharing. Approximately half of the projects examined by BPS2004 reported
 74 achievements in both areas. OPS3 found evidence of knowledge generation during its field visits, in
 75 particular in the Sabana-Camaguey Ecosystem project in Cuba. About 40 percent of projects assessed by
 76 BPS2004 also reported achievements in tool and technology development, including working with

1 Geographic Information Systems (GIS) technology, working on or with electronic databases, and developing
2 maps or conducting mapping activities. OPS3 field findings indicated that while many of these tools are
3 being developed, they are not shared among projects and are not reused, such that their value is limited. This
4 issue of incorporating lessons learned in project design and implementation is discussed at length in TOR 5B.

5 *Mainstreaming Biodiversity*

6 Article 6b of the CBD has as an objective to “integrate, as far as possible and as appropriate, the conservation
7 and sustainable use of biological diversity into relevant sectoral or cross-sectoral plans, programmes and
8 policies.” The GEF integrated this objective into its own Strategic Priorities (SP), approved by Council in
9 May 2003; indeed, the SP “mainstreaming biodiversity in production landscapes and sectors” was
10 provisionally allocated US\$252 million over FY03-FY06, which constitutes over 30 percent of the total
11 allocation to the GEF Biodiversity Program. A Strategic Objective on mainstreaming is also proposed for
12 GEF-4. To track progress against the outcome-level targets set for this SP, the GEF Secretariat and Office
13 of M&E have been engaged in developing a tracking tool for projects in the production sector.

14 The BPS2004 found that mainstreaming at the local, subnational, and national levels was accomplished in
15 several ways, including through linking government agencies with local-level actors and providing technical
16 assistance to governments during their planning and management activities. According to the BPS2004,
17 when mainstreaming is accomplished, it can result in bringing government agencies together, creating
18 synergies, and empowering local communities to conserve and protect biological resources. During its field
19 visits, OPS3 found instances of countries working hard to mainstream biodiversity. For example, OPS3
20 found that, through catalysis, the GEF has had a profound impact on biodiversity conservation and
21 environmental management in South Africa, which is now actively mainstreaming biodiversity. The GEF
22 established the bioregional approach in South Africa, and as a result this approach has been incorporated into
23 the country’s official conservation policy. Furthermore, the GEF supported the establishment of the South
24 Africa Biodiversity Network (SABINET) which has significantly impacted institutional capacity to
25 mainstream biodiversity in the ten countries in which it operates.

26 That said, however, the GEF Biodiversity Program has not been entirely successful in mainstreaming
27 biodiversity. At the national level, the BPS2004 identified the most common obstacle as a lack of true
28 commitment by the government to incorporating biodiversity considerations. OPS3 also found challenges in
29 mainstreaming; stakeholders reported to OPS3 that the national reports to the CBD are somewhat isolated in
30 some countries, and thus are neither mainstreamed nor influential. Part of this difficulty in mainstreaming
31 may be a result of inadequate time frames; BPS2004 generally concluded that mainstreaming takes significant
32 time, usually far longer than the typical length of a GEF project.

33 To reduce operational complications in implementing the mainstreaming SP, the BPS2004 recommended that
34 “guidelines and clear definitions should be developed to clarify exactly what type of activities, processes, and
35 interventions are covered under the mainstreaming concept in the GEF context.” Having found stakeholders
36 discussing mainstreaming in many different ways and contexts, OPS3 agrees with this recommendation.

37 General mainstreaming of the GEF is discussed in Section 0.

38 *Other Priority Areas*

39 The BPS2004 also identified the following outcomes in the CBD priority areas of invasive alien species,
40 taxonomy, and agrobiodiversity:

- 41 • *Invasive Alien Species* - Only 6 percent of projects reviewed by BPS2004 had specific objectives directly
42 related to the control of invasive alien species, although the BPS2004 felt that this percentage was likely
43 an underestimate of the amount of invasive alien species work now in the portfolio. Several good
44 examples of projects that target alien species are: the global “Building Capacity and Raising Awareness in

1 Invasive Alien Species Prevention and Management” project; the “Biodiversity Restoration” project in
2 Mauritius, and the “Management of Avian Ecosystems” project in the Seychelles.

- 3 • *Taxonomy* - 10 percent of projects reviewed by BPS2004 had objectives directly related to taxonomy. The
4 BPS2004 noted, however, that the projects reviewed did not include enabling activities, which could
5 support taxonomic research or capacity building through National Biodiversity Strategies and Action
6 Plans and National Capacity Needs Assessments. A number of taxonomy projects in the cohort involved
7 the inventory and assessment of agrobiodiversity resources and others focused on the maintenance of
8 biodiversity collection and the creation of databases, networks, and other information sharing strategies.
9 For example, the Costa Rican “Biodiversity Resources Development” project has been credited with
10 achieving substantial collaboration by foreign taxonomists and the development of a series of educational
11 and scientific taxonomic materials in its efforts to “demonstrate that increased and systematically
12 catalogued information about species would increase the value of biological diversity and the
13 marketability of biodiversity services.”
- 14 • *Agrobiodiversity* - GEF’s OP13 specifically supports the conservation and sustainable use of biodiversity
15 important to agriculture. 13 percent of projects assessed by BPS2004 could be considered as working on
16 issues related to agrobiodiversity, for example, involving agricultural landscapes, farmers, and traditional
17 agricultural practices. BPS2004 also found that although a few projects potentially dealt with
18 pasturelands, no projects specifically targeted livestock and pastoralists. OPS3 finds that as of March
19 2005, 11 projects have been approved in OP13 for US\$45.6 million. For example, OPS3 found that the
20 regional MSP “Community-based Management of On-Farm Plant Genetic Resources in Arid and Semi-
21 Arid of Sub-Saharan Africa” has achieved innovative results in indigenous crop conservation, has
22 increased the knowledge and understanding among farmers that indigenous crops are valuable, has
23 helped to determine what types of policies are required at all levels to conserve indigenous crops, and has
24 brought about replication beyond the scope of the project.
- 25 • *Small Grants Program* – As BPS2004 noted, the Third Independent Evaluation of the SGP found that the
26 most significant impact of the SGP will not be its direct effect on biodiversity conservation, but instead
27 the indirect impact of capacity building, policy reform, increased awareness, and the empowerment of
28 local communities to take conservation action. Wells et al. (2003) found that “the overall long-term
29 global benefits from SGP activities will be considerable, and are likely to exceed the global benefits
30 generated by most larger projects with financial resources comparable to or even exceeding the entire
31 SGP budget.” Stakeholders repeated to OPS3 consistently that benefits from the SGP greatly
32 outweighed the costs, and thus, OPS3 agrees with the BPS2004’s recommendation that additional
33 resources be allocated to the SGP. [For a more in depth discussion of the SGP, please see Section 8.7.]

34 **3.1.4 Other Issues and Strategic Trade-offs**

35 This section discusses the following six strategic issues as identified by the BPS2004 and/or OPS3: (1)
36 strategic direction and programming; (2) strategic resource allocation; (3) measuring results; (4) expectations
37 management; (5) trade-offs.

38 **Strategic Direction and Programming**

39 Based on the Strategic Priorities the strategic emphasis of the GEF3 biodiversity portfolio has been directed
40 towards conserving and sustainably using biodiversity within protected areas and mainstreaming biodiversity
41 in production landscapes and sectors. OPS3 concurs with the statement made by the Management Response
42 to the BPS2004 that these two strategic priorities “reflect current thinking in the conservation community of
43 the imperative to both secure the global protected area estate while integrating biodiversity considerations
44 into those sectors that provide an opportunity for biodiversity conservation and sustainable use to develop
45 and persist within more far-reaching socio-economic processes.”

1 OPS3 finds that the development of the Strategic Priorities for GEF-3 has brought increased strategic
2 direction to the GEF Biodiversity Program during GEF-3. Moreover, in part as a result of recommendations
3 proposed by the BPS2004, the strategic objectives identified in the GEF-4 Programming Document
4 constitute an improvement of the SPs and impact and coverage indicators and targets, as well as the tools to
5 measure them, which should improve management of the portfolio. These advances will provide future
6 program evaluators with better tools with which to measure the Biodiversity Program's results.

7 Nevertheless, OPS3 agrees with the BPS2004 that the Biodiversity Program still needs to refine, clarify, and
8 strengthen the overall strategy and vision of the Program, above and beyond the four Strategic Priorities.
9 This is also related to the expectations management discussed below. Furthermore, OPS3 finds that the
10 development of SPs has served as additive guidance and has resulted in a broadening, rather than refining, of
11 the overall strategic focus of the GEF Biodiversity Program. Consequently, not only is there confusion
12 among stakeholders about the role of OPs and SPs, but projects that address a wide range of biodiversity
13 outcomes can be funded through the GEF.

14 **Strategic Resource Allocation**

15 As likely the world's largest government-funded mechanism for biodiversity conservation for developing
16 countries, the GEF is a significant source of funding for the achievement of the objectives of the CBD. The
17 BPS 2004 noted that "as more traditional bilateral donors move away from funding biodiversity conservation
18 and the global economy continues to grow, increasing negative impacts on biodiversity, the demand for GEF
19 funding will no doubt increase as well." OPS3 concurs with the BPS2004 conclusion that as a result of these
20 pressures the GEF's Biodiversity Program "must become far more strategic and deliberate in using its
21 significant, albeit limited, funds."

22 In the event that an RAF is approved by Council, it will likely have significant ramifications on the GEF
23 Biodiversity Program. Decisions on the allocation of resources to specific countries will need to be cognizant
24 of important nuances with regard to the development of biodiversity priorities. For example, as the BPS2004
25 points out "conserving the giant panda in China... is not the point [because] conserving endemic and rare
26 species alone will not stem the rates of biodiversity loss." Instead, "all countries actively contributing to the
27 objectives of the CBD are assisting in the conservation of biodiversity, regardless of whether they are home
28 to species and ecosystems that have been identified as being of 'global importance'."

29 Though prioritizing countries self-proclaimed as "megadiverse" has not been a stated policy of the GEF
30 Biodiversity Program, these countries have received a large percentage of GEF resources for biodiversity
31 conservation. Thus far, there has been a strong correlation between "megadiverse" countries and the largest
32 allocations of GEF biodiversity funds. Of the 15 countries known as "Like-Minded Megadiversity
33 Countries" (those shown in green on Exhibit 3-6), estimated to hold 70% of the world's biodiversity, an
34 OPS3 review of the BD portfolio showed 11 to be among the top 20 recipients of GEF biodiversity funds.

35 GEF funding also has a particular value in countries that are not politically popular or of interest for bilateral
36 funding from developed countries. Numerous representatives from countries that are not considered to be
37 biodiversity "hotspots" reported to OPS3 that the GEF funding they received was largely responsible for
38 enabling their country to focus on the conservation of biodiversity resources. Examples include LDCs in
39 Africa such as Comoros, Djibouti, and Sudan, as well as former Soviet Union and Eastern European
40 countries.

41 All of these fine distinctions will need to be considered when determining strategies to allocate resources
42 among countries.

1 Measuring Results

2 As pointed out by the BPS2004, in the last five years GEF Council meetings and both BPS2001 and OPS2
3 highlighted and called for work on the delivery and reporting of impacts. The new Strategic Priorities
4 developed for GEF3 and the “Measuring Results of the Biodiversity Program” document have led to
5 progress at the project and program outcome level. The biodiversity Strategic Priorities identify a tactical
6 emphasis for the biodiversity portfolio and provide tools to measure its impact.

7 The BPS2004 found that “though more work is needed on the socio-economic side, the new generation of
8 recently approved projects demonstrates progress in ensuring that important data are captured at the project
9 level” and recommended that “the establishment of baselines should be considered mandatory...particularly
10 to ensure that both biodiversity and socioeconomic impact indicators are developed, measured, and analyzed
11 at all levels, from outputs to outcomes to impacts.” However, the BPS2004 found that at a higher level
12 “there are still no clear guidelines, standardized procedures, or measurable program-level targets or indicators
13 to assess the impacts of the GEF portfolio on biodiversity status.” Indeed, efforts by OPS3 to identify the
14 global impact of the GEF on biodiversity loss were not fruitful. At the outcome level, the application of
15 portfolio-level tracking tools developed to monitor and measure progress within each Strategic Priority for
16 GEF-3,ⁱ better enables the “rolling-up” of indicators from the project level to the portfolio level.

17 Expectations Management

18 The BPS2004 found that since the inception of the GEF there has not been a clear articulation of the
19 “expectations of the GEF or the level at which the GEF’s performance – overall and at the three focal areas
20 – would be assessed.” Like the BPS2004, OPS3 found the expectations of the GEF Council, the Parties, and
21 other stakeholders regarding the potential accomplishments of the GEF Biodiversity Program to be unclear.
22 The BPS2004 concluded that the GEF is, and can only be, one of many contributors to the achievement of
23 global environmental benefits; in biodiversity as well as the other focal areas. This reality seems to have been
24 understated in the GEF vision. The BPS2004 found that “for these reasons, the GEF’s, and by association,
25 its Biodiversity Program’s ability to demonstrate achievements may have been undermined by the tacit belief
26 that the GEF would ‘do it all.’”

27 Trade-offs in Project Outcomes

28 An implicit expectation of the GEF that is directly related to its operating environment is that biodiversity
29 (and other focal area) projects should result in win-win situations; OPS3 found in stakeholder consultations at
30 all levels that within the biodiversity focal area in particular there is an expectation that projects will achieve
31 win-win results. However, biodiversity protection and restoration competes with other factors that public
32 and private sector organizations consider when planning and implementing development activities, including
33 market pressures and local poverty. As a result, as noted in the OP12 Program Study, there are trade-offs to
34 biodiversity conservation that impede the GEF’s capacity to achieve win-win situations. That said, some
35 projects have successfully managed these trade-offs to achieve win-win situations; for instance, the OPS3
36 field study found that the Costa Rican Ecomarkets project has achieved great success in this area (see **Error!**
37 **Reference source not found.**), and the OP12 Program Study highlighted a Nicaragua, Costa Rica, and
38 Colombia project that carefully calibrated payments for increases in environmental services given to ranchers
39 who improved land use.

40 **3.1.5 Recommendations**

41 In addition to the priority recommendations and recommendations on the outcomes of the GEF Biodiversity
42 Program from BPS2004 that OPS3 has endorsed in the sections above, OPS3 also proposes the following
43 recommendations **[to be completed]**:

- 1 • In the biodiversity focal area, there is a need to strike a balance between even distribution of resources
2 from the geographical or regional stand point, as well as from the perspective of the likelihood of
3 generating the greatest global environmental benefits. While geographic homogeneity is not essential,
4 targeting a few hotspots would not be in keeping with the GEF's objective for inclusivity and balance.
5 Of course, generating global environmental benefits is essential and must be linked to the project
6 selection and prioritization process. National priorities and the implications that aspects of these
7 priorities (e.g., poverty alleviation, alternative livelihoods) place on the generation of benefits must also be
8 considered. In light of these issues, OPS3 recommends that these matters be considered in ongoing
9 discussions about the implications of a potential RAF (please also see recommendation regarding
10 strategic project selection under an RAF scenario in Section XX).

11 3.2 Climate Change

12 3.2.1 Scientific and Historical Context

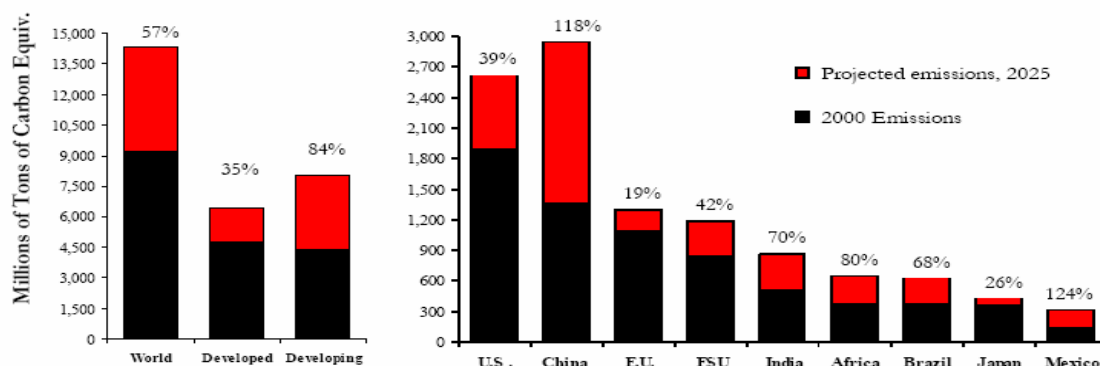
13 Scientific Context

14 Evidence presented by the Intergovernmental Panel on Climate Change (IPCC) in 2001 indicates that “most
15 of the warming observed over the last 50 years is attributable to human activities.” The evidence also links a
16 0.6 (±0.2) °C rise in temperature to 10-20 cm rise in sea level over the past 100 years. Carbon dioxide is the
17 major contributor to the greenhouse effect, although increasing concentrations of methane, nitrous oxide,
18 halocarbons and halons are also factors.

19 Although industrialized countries have historically accounted for the majority of greenhouse gas emissions,
20 emissions from developing countries are expected to rise continuously. Ironically, developing countries in
21 Africa are predicted to be among the most vulnerable to the effects of climate change which will vary
22 regionally, and have already altered various physical and biological systems. Growing seasons in regions at
23 mid- to high-latitudes have lengthened, latitudinal and altitudinal shifts of plant and animal ranges have
24 occurred. Glaciers, atolls, polar and alpine ecosystems, prairie wetlands and native grasslands are recognized
25 as the natural systems most at risk. Other significant impacts of climate change include increasing incidents
26 of coral reef bleaching. Forest distribution and composition is likely to change, which may in turn negatively
27 influence climate change. Climate change may more directly impact humans through changes in freshwater
28 availability and increased spread of vector-borne diseases.

29 The UN Framework Convention on Climate Change (UNFCCC), adopted in 1992, requested that
30 industrialized countries limit greenhouse gas emissions to 1990 levels by 2000. The most recent measure, the
31 Kyoto Protocol of the UNFCCC, which was adopted in 1997 and entered into force in early 2005, set definite
32 reduction targets for most industrialized countries. A special feature of the Kyoto Protocol is mechanisms
33 which permit industrialized countries to invest in measures that restrict greenhouse gas emissions in
34 developing countries in exchange for emission credits at home.

35 Current science suggests that responding to global warming trends will require both *mitigation* to slow the
36 speed of change through limiting greenhouse gas (GHG) emissions reductions, and *adaptation* to limit adverse
37 impacts by countries becoming more resistant to climate change. At present, slightly less than half of all
38 GHG emissions come from developing countries but they are anticipated to overtake OECD countries well
39 before 2025 (see Exhibit 3-14).

Exhibit 3-14. Projected GHG emissions (metric tons)

Source: World Resources Institute, (2004), presentation at COP-10.

Historical Context

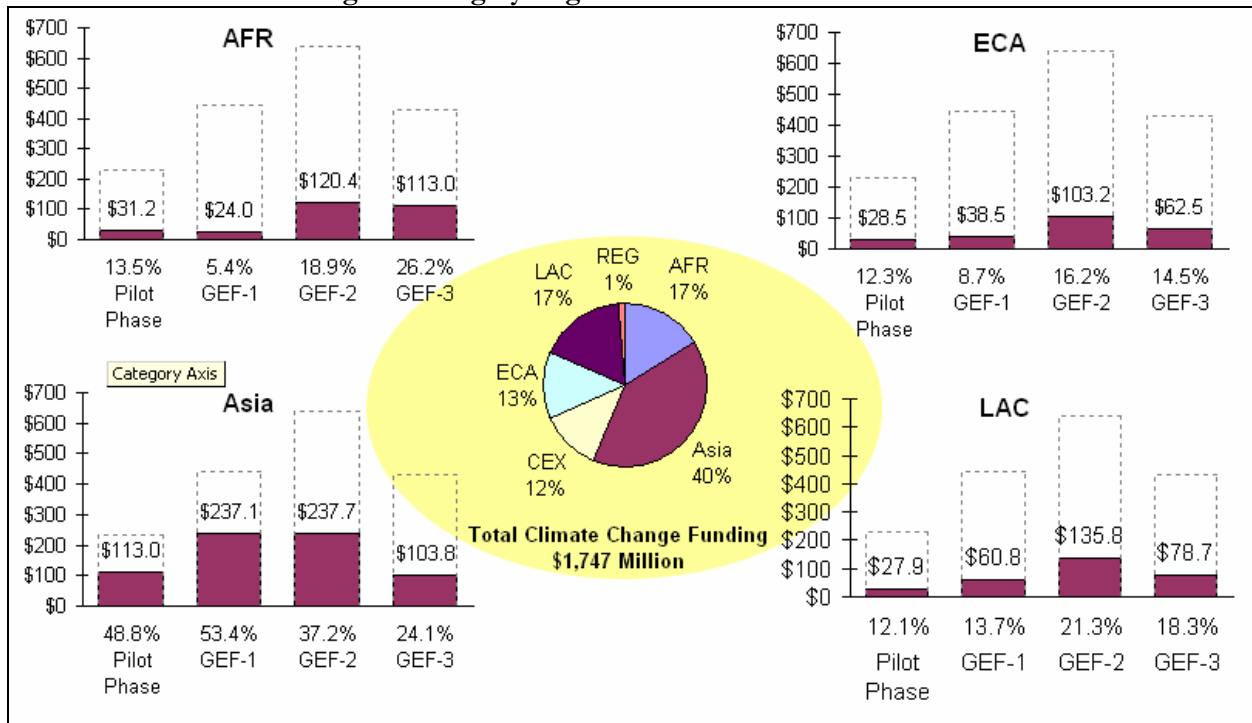
OPS2 found that “project impacts from the climate change focal area are slow in emerging, because only a small part of the portfolio (28 projects) has been completed so far.” Nonetheless, while OPS2 did not quantify the impact of projects in terms of greenhouse gas (GHG) emissions avoided, OPS2 did point out some indirect effects of GEF projects in four areas: technology development and demonstration, market-oriented approaches, capacity-building and institutional development impacts, and policy development. OPS2 recommended that generally the GEF would benefit from a more focused program in the climate change focal area and “concentrating its efforts where there is a strong continuing commitment to innovation and thus likely to have the greatest impact.”

OPS2 noted that two important elements of this program were the creation of enabling environments for market transformation and market transformation itself, as well as other market-oriented interventions. Additionally, OPS2 noted that the “existing GEF system is slow to recognize success, and thus slow to replicate and integrate positive lessons in planning for future projects.” Lastly, OPS2 recommended that the GEF seek higher leverage opportunities in order to make a significant impact on emissions of greenhouse gases on a global scale.

3.2.2 Portfolio Analysis**Geographic Distribution**

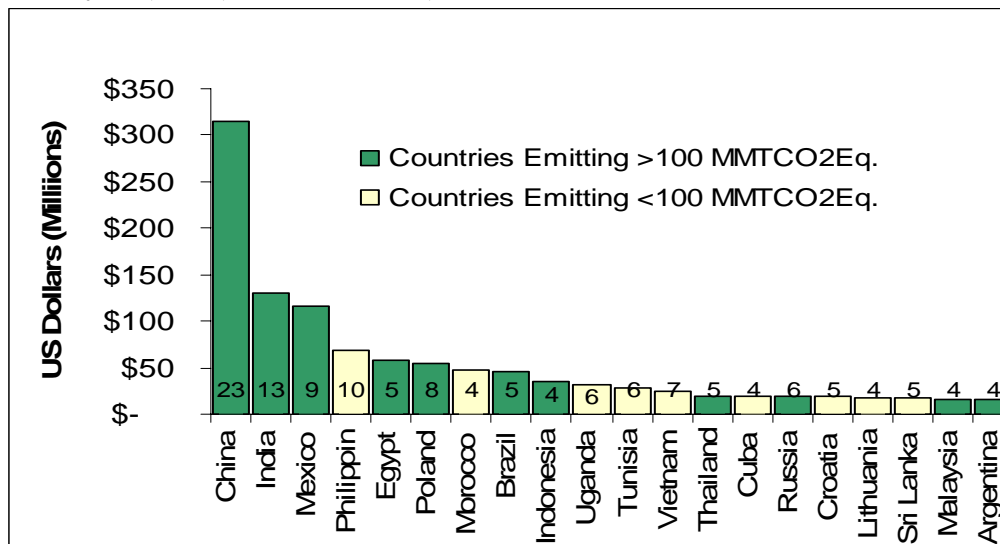
GEF’s Climate Change portfolio funding totals almost \$1.75 billion over the period from 1991 through March 2005. Exhibit 3-15 shows the geographic distribution of total GEF climate change financing since 1991. GEF’s climate change portfolio has grown significantly over time, from a global total of \$443.7 million during GEF-1 (covering FY95 through FY98) to \$638.5 million during GEF-2 (covering FY99 through FY 2002). With this overall growth (about 44 percent from GEF-1 to GEF-2), the geographic distribution of funding has changed somewhat over time. Asia, for example, constituted a majority (54 percent) of the climate change portfolio during GEF-1 but fell to 37 percent during GEF-2. The project funding supporting climate change activities in Asia remained constant (having received \$237 million in both periods) over these periods while the Africa, Latin America/Caribbean, and East/Central Europe regions all received increased funds. GEF-3 is shown to date below, but continues through 2006.

1 **Exhibit 3-15. Climate Change Funding by Region**



2
 3 As shown in Exhibit 3-16, excluding multi-country projects (which accounted for \$316 million), GEF has
 4 funded 460 climate change projects in 143 countries since 1991, totaling over \$1.4 billion. The top 20
 5 recipients of those 143 (13 percent of countries) represent 63 percent of global climate change funding
 6 (including regional and global projects), and the top ten alone represent 52 percent. Indeed, China and India
 7 together (with 36 completed or ongoing projects) have received \$445 million since 1991, over one quarter of
 8 climate change funding worldwide.

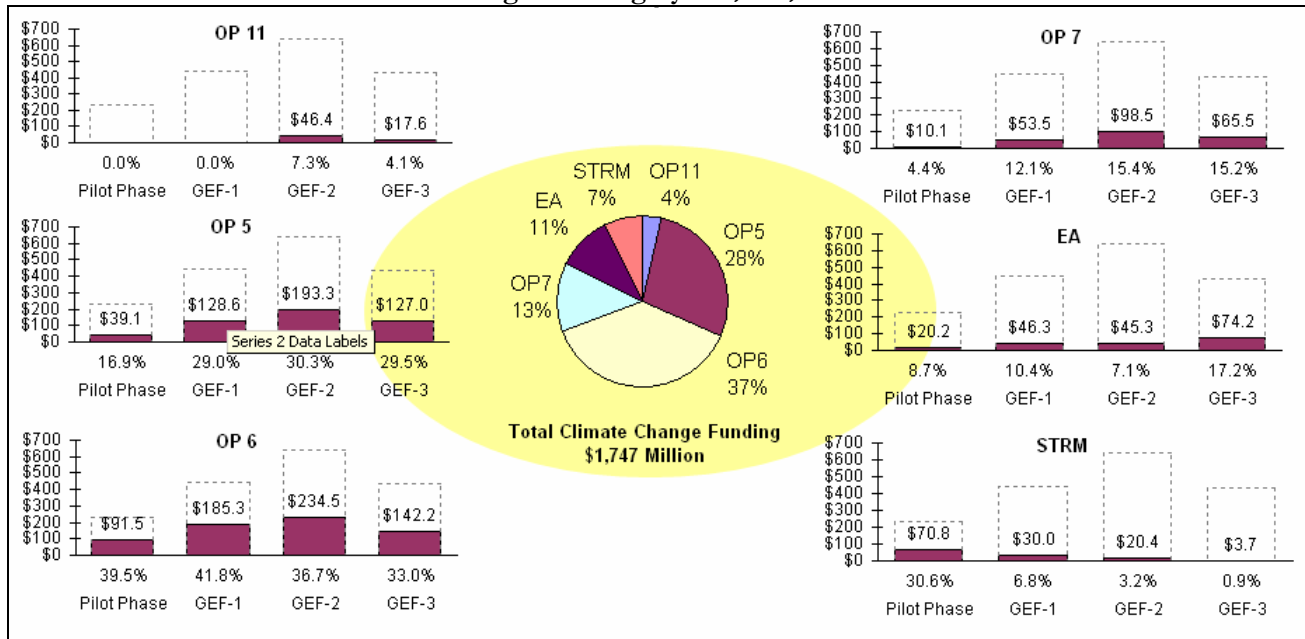
9 **Exhibit 3-16. Climate Change Funding and Number of Projects by Country, Excluding Multi-**
 10 **Country Projects (1991-March 2005)**



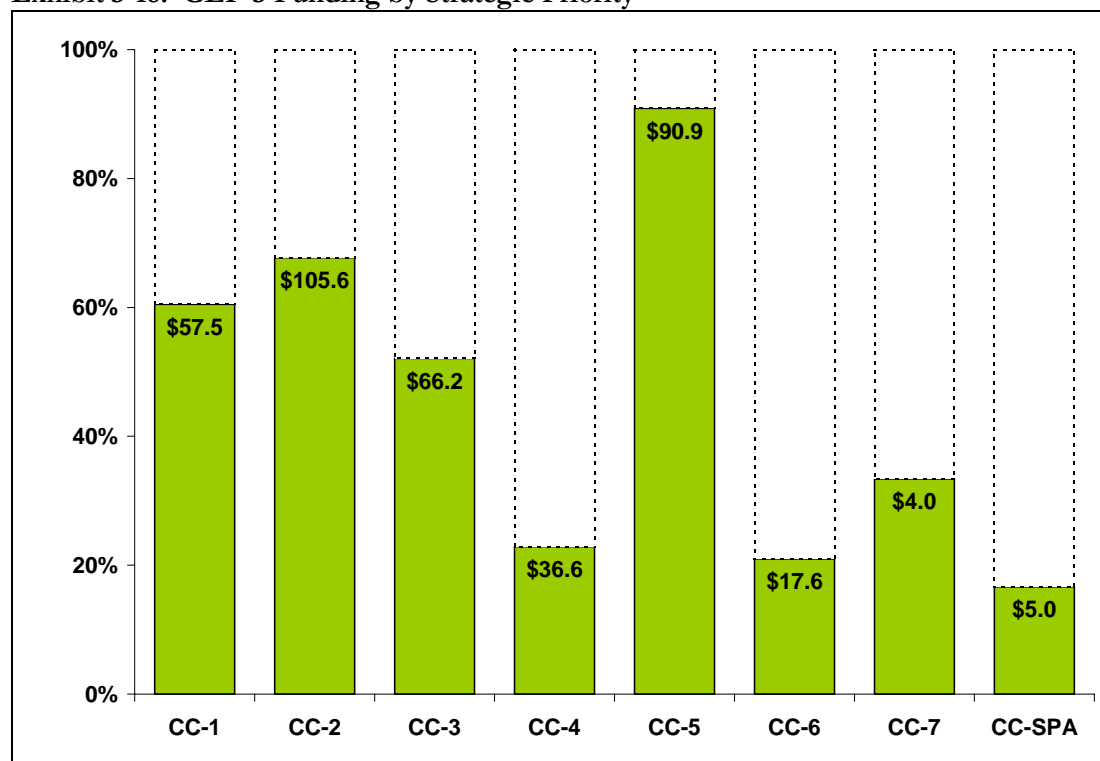
1 **Operational Programs**

2 Operational Programs (OPs) are intended to provide a basic framework for the preparation and design of the
 3 GEF projects for specific themes in each focal area. Four OPs support the climate change focal area:
 4 Removal of Barriers to Energy Efficiency and Energy Conservation (OP5), Promoting the Adoption of
 5 Renewable Energy by Removing Barriers and Reducing Implementation Costs (OP6), Reducing the Long-
 6 Term Costs of Low Greenhouse Gas Emitting Energy Technologies (OP7), and Promoting Environmentally
 7 Sustainable Transport (OP11). Enabling activities (EA) and short-term response measures (STRM)
 8 respectively account for 11 and 7 percent of total climate change funding since 1991. Exhibit 3-17 shows the
 9 allocation of climate change funds by OP during each GEF Phase. Since 1991, OP6 projects have received
 10 the largest share of funding to date, \$653.4 million (37%), while OP11 projects have received only \$64 million
 11 (4%) of the total of the \$1,747 million that has supported the climate change focal area.

12 **Exhibit 3-17. Breakout of Climate Change Funding by OP, EA, and STRM**



13
 14 Exhibit 3-18 presents GEF-3 funding in each Climate Change Program Strategic Priority to date (May 2005).
 15 As shown, funding has been somewhat inconsistent across the Strategic Priorities; projects have been
 16 approved in Strategic Priority 5 equaling almost 90 percent of the total resource envelope allocated in the
 17 GEF FY05-07 Business Plan. By contrast, only about 20 percent of the total resources allocated to Strategic
 18 Priorities 4 and 6 have been approved in projects.

1 **Exhibit 3-18. GEF-3 Funding by Strategic Priority**3 **3.2.3 Current Evidence – Results of the GEF in Climate Change**

4 Direct and indirect reductions in GHG emissions attributed to the GEF from closed, and expected to result
5 from active, climate change projects (1991 through April 2004) total about 1.9 billion metric tons, as reported
6 by the 2004 Climate Change Program Study (CCPS). Project approvals in FY03-FY04 are expected to result
7 in direct emission reductions of approximately 181 million MT and indirect reductions of about 409 million
8 MT, which represent roughly 2 percent and almost 5 percent of the 9 billion MT for global emissions in
9 2000, respectively.¹³

10 Thus, while OPS3 finds the GEF's impact satisfactory given its limited resources, the GEF's role is relatively
11 minor in slowing climate change. It can, however, play an important catalytic role in influencing, developing,
12 and transforming the markets for energy and mobility in developing countries so that over the long-term their
13 economies are less carbon-intensive than they would have otherwise been. In addition, the GEF's role in
14 climate change can help to ensure that developing countries have in place appropriate national adaptation
15 strategies and that the portfolio of projects being undertaken to address global environmental benefits from
16 other focal areas (e.g., biodiversity or international waters) takes into account the anticipated medium and
17 longer-term impacts of climate change. For example, a marine ecosystem project should factor in the
18 potential effects of climate change since a rise in the sea level could impact the project results.

19 To discuss results, OPS3 roughly followed the same evaluation framework as the CCPS2004 with respect to
20 the division between outcomes and impacts. The primary outcome of the portfolio is, through barrier
21 removal, market development and transformation, which leads to the long-term impact of reduction or
22 avoidance of GHG emissions. OPS3 will discuss below the results of the climate change portfolio across two
23 dimensions: GHG emissions reduced/avoided and market development and transformation.

¹³ World Resources Institute, (2004), presentation at COP-10.

1 **Impacts: GHG Emissions Reduced or Avoided**

2 The GEF climate change portfolio achieves its impacts in several ways. The GEF supports some short term
3 response measures (STRMs), which largely aim to reduce greenhouse gases in the short term, although this
4 kind of GEF support remains limited. However, the GEF's main potential impact is its contribution to
5 catalyzing the sustainable transformation of markets and programs such that GHG emissions are reduced or
6 avoided in the long term. These longer-term impacts are inherently more difficult to measure, particularly
7 given the time scales over which the impacts are likely to be realized. As the management response to the
8 CCPS2004 highlights, while the GEF's role is primarily catalytic and long-term and should not be one "of
9 identifying the cheapest carbon reductions measured in narrowly defined terms," measuring the GHG
10 reductions brought about by the GEF remains a useful tool for examining project and program effectiveness.

11 Indeed, perhaps the most measurable impact of the GEF Climate Change Program is in GHG emissions
12 reduced or avoided, although the CCPS2004 marks the first time that these impacts have been aggregated.
13 Projects' impacts on GHG reduction are measured in metric tons (MT) of carbon dioxide equivalents, and
14 consist of both direct and indirect reduced or avoided emissions. Direct reduction is defined as tangible
15 carbon dioxide reductions directly attributable to specific project activities and the lifetime of technology
16 promoted by the project, while indirect reduction is the estimated replication effect catalyzed by the GEF
17 intervention.

18 Although OPS3 concludes that the overall GHG reduction impact of the GEF climate change portfolio has
19 been marginal compared to the overall climate problem, the GEF has effectively met its own performance
20 targets with respect to emission reductions. At the November 2004 GEF Council meeting, the GEF
21 Secretariat estimated that the projects approved in FY03 and FY04 will have or should result in direct GHG
22 emission reductions of 181 million MT (about 4 percent of about 4.5 billion for developing country emissions
23 in 2000) and indirect¹⁴ reductions ranging from 409 million to 1.86 billion MT over their investment lifetimes
24 (document GEF/C.24/3).¹⁵ Thus, based upon even the lower end of the GHG reduction estimates, the
25 GEF Secretariat considered, and OPS3 agrees, that the performance target of reduction of at least 200 million
26 MT of CO₂ equivalent as set by the Third Replenishment has been met.

27 In terms of the GEF climate change portfolio in the aggregate (as of April 2004), the CCPS2004 analyzed
28 actual GHG emissions for 43 closed climate change projects¹⁶ and concluded that the direct impact of closed
29 projects was 97 million MT of equivalent reductions and the total impact including indirect impacts from
30 replication, was 224 million MT of CO₂ reduced.

31 When compared to the set of closed projects, the 124 active full- and medium-size projects have improved
32 GHG estimates and underlying assumptions in project design. The CCPS2004 reported that, of the active
33 projects, 104 had quantifiable intended CO₂ GHG effects. The aggregate estimated direct impact of these
34 projects amounts to 435 million MT of CO₂ reduced and roughly 1.7 billion MT including the estimated
35 indirect impact of replication.

36 The intended GHG impacts vary widely across the Climate Change Program's clusters, investment levels,
37 country typology, and across individual projects. Almost two-thirds of all CO₂ reductions from closed
38 projects come from three disparate projects. Similarly, among active projects, almost 40 percent of CO₂
39 reductions are contributed by the World Bank China Efficient Industrial Boilers project. The CCPS2004
40 reported that almost 75 percent of reductions were from 12 projects, eight of which were in China. Of the

¹⁴ [Final Report will include an explanation of factors used to estimate indirect reductions]

¹⁵ This 409 million MT GHG reduction estimate was arrived at using a conservative "bottom-up approach." Using a less conservative "top-down" approach, the projects are estimated to have indirect GHG emission reductions of up to 1.86 billion MT.

¹⁶ Of these 43 closed projects, only 27 projects had CO₂ avoidance estimates.

1 estimated GHG impacts from projects approved in FY03 and FY04, over 100 of the 180 million direct MT
 2 of CO₂ equivalent reduced are jointly attributable to two projects in China: the China EUEEP Phase 1
 3 project of UNDP and the Heat Reform and Building Energy Efficiency Project of the World Bank. Such an
 4 outcome is not that surprising given the different scales and categories of project types that inherently have
 5 differing abilities to deliver GHG emission reduction. In any given portfolio of projects there are likely to be
 6 a small number of those that can yield significant GHG emission reductions. This may have implications for
 7 the innovativeness of project design, which is discussed in more detail under TOR 5A. Strategic resource
 8 allocation is discussed below in Section 3.2.4.

9 The CCPS2004 found that the performance of the GEF portfolio overall in reducing GHG emissions was
 10 satisfactory, and OPS3 concurs. The GEF has met its performance targets as set by the Third Replenishment
 11 agreement and led to considerable GHG reductions at relatively low incremental costs. Indeed, the cost-
 12 effectiveness of GHG reductions by the GEF seems to have improved over time. For closed projects (as of
 13 April 2004), the CCPS2004 calculated that avoided emissions ranged from US\$2/MT (direct reductions) to
 14 US\$0.87/MT (direct and indirect), based only on GEF allocations. For active projects (as of April 2004),
 15 costs ranged from US\$1.39/MT (direct) to US\$0.35/MT (direct and indirect), again only based on GEF
 16 allocations.

17 **Outcomes: Market Development and Transformation**

18 Market transformation is a long-term challenge and a dynamic process, and according to the CCPS2004 and
 19 the OPS3 findings it is starting to become evident in the GEF Climate Change Program. The CCPS2004
 20 found that the greatest progress has been made within the energy efficiency portfolio where it observed

22
Exhibit 3-19. Energy Efficiency in Russia 24
 In 2002, the GEF approved the \$1 million OP5 climate change 26
 project “Cost Effective Energy Efficiency Measures in the Russian 28
 Educational Sector.” The overall objective of the project is to 30
 contribute to the abatement of greenhouse gas (GHG) emissions by 32
 improving the energy efficiency of Russian educational facilities. 34
 The project sought to address the problem of low attention to 36
 energy efficiency measures and inadequate project development 38
 capacity resulting in inefficient use of energy and subsequent 40
 environmental, economic, and social problems. This project 42
 focused on achieved results through awareness raising, training and 44
 capacity building, demonstration program and development of 46
 schemes and tools including models for sustainable administrative 48
 and financial solutions. OPS3 met with managers of this project 50
 during the field visit to Russia and found that as an outcome of 52
 specific measures that had been taken at the participating 54
 educational institutions, notable savings in energy use were being 56
 recorded. Furthermore, this project seems to have had a significant 58
 catalytic effect in education institutions across Russia as well as in 60
 the primary and secondary education system in terms of energy 62
 efficiency education programs. 64

achievements in specific countries and
 sectors, such as financial markets in
 Hungary; energy efficient appliances and
 products in Mexico and Poland, and
 industrial boiler conversion in China.
 OPS3 also uncovered achievements during
 its field study that substantiate this general
 finding. For example, an electrical energy
 efficiency project in Thailand is credited
 with catalyzing significant energy efficiency
 activity in the region. Indeed, for many
 evolving markets, the GEF is seen as a
 driving force to help move changes
 forward.

The experience of the renewable energy
 cluster is more varied, as the GEF is often
 trying to develop markets from a much
 lower baseline. Renewable energy remains,
 in general, more expensive and less
 accessible than traditional fossil-fuel based
 energy sources, despite sustained efforts at

64 volume increases and market aggregation. The CCPS2004 reported that the GEF has been able to contribute
 66 to emerging market changes in specific energy sectors and countries, and pointed to such examples as the
 67 mini-hydro energy project in Sri Lanka and the wind market in India.

1 During its field visits, OPS3 also observed good examples of market transformation in the renewable energy
 2 cluster that corroborate the findings of the CCPS2004. For instance, a wind power project in Russia enabled
 3 an environment more conducive to private sector financing of both wind farms and power plants. In India, a
 4 project to develop small hydel resources reportedly led to the re-inclusion of small hydro as one of the

5 priority areas for renewable energy
 6 investment in India.

Exhibit 3-20. Developing the Legal and Regulatory Framework for Wind Power in Russia

Approved, in 2003, a medium-sized project called “Developing the Legal and Regulatory Framework for Wind Power in Russia” was initiated by project proponents looking to develop commercial wind power, but unable to attract investors until a conducive environment was established. This wind power project has been integrated into a national program for setting up alternative sources of energy, which project proponents anticipate will serve as an impetus for wind energy development in Russia. Indeed, preparations are underway for construction of wind power plants in several Russian cities. Furthermore, project proponents reported receiving proposals from potential investors, and are developing an energy system that pairs wind and water. The GEF funding of this private sector initiative has the potential to lead to a situation in Russia where private sector will finance both wind farms and power plants.

7 As the CCPS2004 concluded, the GEF
 8 has had less success in contributing
 9 directly to policies that promote energy
 10 efficiency or renewable energy
 11 technologies. In some cases, however,
 12 it is a GEF project that has succeeded
 13 in demonstrating the feasibility and
 14 cost-effectiveness of a particular
 15 technology and contributing to a
 16 revising of national renewable energy
 17 strategies and action plans.

18 In general, the CCPS2004 found that
 19 projects were more successful in
 20 transforming markets when they:

- 21 • Have a clear concept of which market they wish to transform, and which market barriers have to be
 22 overcome and have a well-defined and narrow target group.
- 23 • Build on a basic level of existing market development.
- 24 • Have sustained programmatic support, either from the GEF or other partners.

25 **3.2.4 Other Issues and Strategic Trade-offs**

26 This section discusses the following six strategic issues as identified by the CCPS2004 and OPS3: (1) strategic
 27 direction and programming; (2) strategic resource allocation; (3) measuring results; (4) lesson learning and
 28 replication; (5) adaption; and (6) carbon financing and its relationship with the GEF.

29 **Strategic Direction and Programming**

30 While OPS2 concluded that the GEF would benefit from a more focused program in the climate change
 31 focal area, this does not appear to have been fully achieved in GEF-3. The CCPS2004 found that “the
 32 linkages between GEF’s overall mission or goals, its strategic priorities, OPs, project clusters, and
 33 performance measurement indicators are no longer conceptually clear, nor are they entirely consistent.”
 34 Specifically, the CCPS2004 noted that the “discourse within GEF on strategies to achieve market
 35 transformation is either narrowly constructed or consists of poorly grouped and often unconnected sets of
 36 market barriers or project activities.” The study further concluded that GEF Strategic Priorities “obscure
 37 potential linkages or overlaps between proposed strategies.” Project-level indicators were also identified as a
 38 considerable challenge that significantly complicates the process of aggregating and reporting on intended
 39 results at the GEF portfolio level. Moreover, the CCPS2004 noted that although emerging strategic issues
 40 are often discussed within the GEF family, these discussions often do not result in support of an official
 41 GEF position on the issues, such as carbon financing.

42 In response, the CCPS2004 recommended that “the GEF Secretariat should take the lead in improving
 43 overall strategic coherence by clarifying the overarching goal of market transformation outcomes that

1 contribute to GHG emissions reduction or avoidance, and the manner in which existing Operational
2 Programs and associated strategies contribute to this overall goal.” This recommendation was accepted in the
3 management response, where it was noted that clarifying and reformulating the GEF’s programming
4 framework and priorities would increase both transparency and effectiveness.

5 This lack of clarity and consistency regarding the linkages between GEF strategic directions (e.g., OPs,
6 strategic priorities) was reiterated to OPS3 during its field visits at several stakeholder levels, including the
7 IAs. Given that the IAs should be providing guidance to country participants on how to interpret and
8 incorporate GEF strategic direction, OPS3 finds this supporting evidence problematic, though
9 understandable. Indeed, not only did OPS3 hear this message echoed by field visit participants, but OPS3
10 itself, as a team that has intensively studied the GEF for the past 7 months and has had unrestricted access to
11 all levels of the GEF family, has experienced difficulty parsing out the strategy of the GEF in climate change.

12 **Strategic Resource Allocation**

13 The CCPS2004 found that the current project development system does not favor strategic choice, a
14 condition that has resulted in a relatively dispersed portfolio and cases of missed opportunities in terms of
15 potential impact. In particular, three trends were observed by the study:

- 16 1) The GEF has generally responded to country needs in climate change, and higher levels of funding have
17 typically been assigned to the countries with the highest overall potential for GHG mitigation. The
18 CCPS noted some inconsistencies, however, in allocations to countries with low to medium levels of
19 GHG emissions.
- 20 2) The “current demand-driven and project-led approval system has led to cases of inconsistent focus
21 *within* countries where the GEF is not always addressing major climate change needs.” The CCPS also
22 commented that national communications have generally not been helpful in guiding GEF
23 programming.
- 24 3) The strategic shifts in the focus of the GEF are not adequately or obviously reflected in the GEF project
25 portfolio, which instead reveals an irregular evolution of project clusters within the OPs.

26 To address these issues, the CCPS2004 recommended that the GEF “improve strategic choice and resource
27 allocation within its Climate Change Program, in order to ensure that the bulk of the portfolio is directed
28 toward mitigation efforts in countries with relatively higher levels of GHG emissions and market
29 transformation potential. For countries with significant GEF portfolios, integrated GEF country strategies
30 need to be developed; smaller portfolios require, at least, explicit priorities.” The management response
31 found that the study did not explicitly note the problem associated with inconsistent allocations to low and
32 medium emitters, and noted that the flexibility to respond to opportunities when they arise has served the
33 GEF well in the past. However, the GEF management stated that they would “take careful note of this
34 recommendation and the associated caveats, and to encourage the development of a cost-effective, country-
35 driven portfolio consistent with its constantly evolving programming framework.”

36 On the first point of directing funding towards countries with higher levels of GHG emissions, OPS3 notes
37 that around 20 countries eligible for GEF funding, and which do not have quantified emission limitation
38 objectives under the Kyoto Protocol, emit more than 100 million MT of carbon dioxide equivalents (IEA
39 2003). As a starting point, these would seem to be the highest priority countries for future mitigation projects
40 given the cost-effective nature of the GEF’s interventions and its ability to help countries adjust to a lower
41 emission-intensity pathway. For example, while the overall cost-effectiveness of emission reductions
42 associated with projects approved in FY03 and FY04 is US\$0.51/MT only including GEF funding and not
43 co-financing, the cost-effectiveness of projects approved in China in the same years is US\$0.11/MT, again
44 only based on GEF allocation. This would seem to suggest that the GEF can achieve the most cost-effective
45 emission reductions in higher emitters, although again it is important to note that actual co-financing is not
46 considered in the analysis.

1 OPS3 believes that further prioritization of the high-emitters should be undertaken by considering the relative
2 availability of national funding and the specific opportunities for the GEF to add value by focusing on
3 specific market transformation projects in the energy and transportation sectors. More attempts should be
4 made to transfer lessons learned from projects in higher-emitting countries to those countries with smaller
5 levels of emissions. Given the GEF's mandate for global and regional balance, one consideration could be to
6 include smaller emitters in more of the global and regional projects. [This will be reviewed/revised in next
7 draft.] Smaller countries could also receive priority for adaptation projects under the adaptation Strategic
8 Priority.

9 On the second point regarding inconsistent focus within countries, OPS3 concurs with the CCPS2004 that, in
10 order to develop a more coherent GEF strategy for those countries that are likely to receive significant levels
11 of funding, the GEF should consider developing country-strategies to identify sectoral and project priorities.

12 OPS3 also notes that most developing countries (Non-Annex I countries, or NAI countries) are just
13 embarking on the development of their second National Communications. The first National
14 Communications have tended to focus only on helping countries meet their reporting obligations under the
15 UNFCCC, in particular with regard to national inventories of greenhouse gas emissions. Generally speaking,
16 they have not resulted in projects that can be taken forward through the GEF. They have, however,
17 contributed to institutional capacity-building. As evidence, participants in several OPS3 regional workshops
18 commented that the first round of national communications seems to have been received positively by
19 country stakeholders, and some countries noted that institutions were developed as a result of these
20 communications.

21 In contrast, the second National Communication represents a significant opportunity for countries to develop
22 a national strategy that includes consideration of mitigation and adaptation elements. The IAs have
23 responded positively to the second round of national communications, which are being approached slightly
24 differently. Indeed, OPS3 interviews with IAs suggested that a higher level of country ownership and better
25 stakeholder communication would result from this revised approach. IAs also commented that national
26 communications need to be better linked to national policy.

27 **Measuring Results**

28 OPS3 agrees with the CCPS2004 and subsequent management response that while the most important role
29 for the GEF in the climate change focal area is to “maximize its comparative advantage of catalytic,
30 innovative, and incremental support in ways that change markets to more climate-friendly behaviors,” the
31 measurement of reductions of GHG emissions brought about by the GEF Climate Change Program remains
32 an important indicator of project and program effectiveness.

33 The CCPS2004 found that “although the data quality has improved in recent years, the portfolio still suffers
34 from lack of targets; unrealistic estimates, especially for replication; unavailable data; and inconsistencies in
35 estimates among and within clusters.” In response, the study recommended that “the GEF Secretariat should
36 provide explicit guidance regarding the realistic calculation of GHG avoidance or reduction in project design
37 and implementation and the manner in which impacts should be monitored and reported.”

38 In fact, OPS3 finds that the CCPS2004 has already prompted a useful dialogue among GEF Secretariat,
39 Implementing Agencies, and OME. Discussions are ongoing about how to move to a more harmonized
40 approach to the climate change focal area that will generate measurable quantifiable results, where possible,
41 and clearer measures of impacts where it is more difficult to quantify. Additionally, as the management
42 response to CCPS2004 reports, the GEF Secretariat has worked with the Implementing and Executing
43 Agencies and the GEF Office of M&E to further develop an approach to estimating GHG emissions
44 avoided through GEF projects. This methodology was the basis for the evaluation of targets for the Third
45 Replenishment (GEF/C.24/3) and also for much of the estimation of GHG emissions reduced as part of the

1 program study. The GEF Secretariat reported that the methodology should be published as a guide for
2 project proponents by the end of the 2005 fiscal year. [Next draft will include details on measuring market
3 development results based on GEF-4 Programming Document]

4 **Lesson Learning and Replication**

5 Identifying, storing, disseminating, and incorporating lessons learned into GEF project operations has been
6 an ongoing challenge for the Climate Change Program. OPS2 found that “the existing GEF system is slow
7 to recognize success, and thus slow to replicate and integrate positive lessons in planning for future projects.”
8 More recently, the CCPS2004 concluded “learning within the GEF family has been neither systematic nor
9 system-wide, nor has it had strong outreach to outside expertise. This has diminished both efficiency and
10 effectiveness of the GEF Climate Change Program.” While the CCPS2004 found examples of good
11 knowledge sharing initiatives within IAs and at the headquarters level within the Climate Change Task Force,
12 it suggested that better learning was needed between projects within the same clusters and within and
13 between countries.

14 In the management response to the CCPS2004, the Climate Change Task Force expressed its hope to “work
15 with all concerned parties to design a system of knowledge management that is concrete, strategic and suited
16 to GEF’s primary role as an institution committed to learning by doing and catalyzing innovative activities in
17 pursuit of global environmental benefits.” In fact, OPS3 found that discussions of a pilot knowledge
18 management initiative in the climate change program have been ongoing among the GEF entities.

19 Like the CCPS2004, OPS3 finds that the GEF’s approach to learning and replication are not effective given
20 the size of the portfolio and the valuable insights generated at the project-level. Furthermore, as cited by the
21 UNFCCC Secretariat, the frequent change of countries’ convention representatives for climate change
22 impedes capacity-building. The GEF’s climate change portfolio has generated significant lessons in its efforts
23 to transform markets for energy efficiency and renewable energy technologies that could provide useful
24 lessons for other stakeholders involved in the same activities. For a detailed discussion of knowledge
25 management in the GEF, please see the response to TOR 5B.

26 **Adaptation**

27 While adaptation was part of the original goal of the Climate Change Program as expressed in the GEF
28 Operational Strategy (1995),¹⁷ adaptation issues have moved steadily to the fore of the climate change policy
29 discussions since COP 7. Indeed, many developing countries now cite adaptation as a higher priority than
30 mitigation. The global insurance industry expects that the magnitude and frequency of extreme weather
31 events to increase¹⁸ and developing countries will be hardest hit, highlighting the need for adaptation
32 measures.

33 In response to recent UNFCCC COP guidance, the GEF has developed a pilot funding window for
34 adaptation to climate change effects, which as the CCPS2004 pointed out, will “present new strategic
35 challenges and choices for GEF in both countries with and without GEF mitigation projects.”

36 Stakeholders in several OPS3 regional workshops, particularly in the Pacific region, suggest that the GEF
37 must fund activities in the area of adaptation to climate change since it is in the guidance from UNFCCC and,
38 as smaller emitters, the mitigation of GHG emissions is not a high national priority. Stakeholders in these

¹⁷ The Operational Strategy states that “The overall strategic thrust of GEF-financed climate change activities is to support sustainable measures that minimize climate change damage by reducing the risk, or the adverse effects, of climate change. The GEF will finance agreed and eligible enabling, mitigation, and *adaptation* activities in eligible recipient countries [emphasis added].”

¹⁸ Source: Swiss Re 2004.

1 regions, as well as IAs, also noted, however, that adaptation will be a complicated new program area since
2 adaptation issues are typically local, and thus the calculation of global environmental benefits and incremental
3 costs will be difficult.

4 Currently three adaptation-related funds are managed by the GEF, in addition to the trust fund that includes
5 adaptation in GEF-3 Strategic Priority 7. The GEF is working with its partners to ensure that GEF projects
6 place greater emphasis on issues of adaptation. To start, GEF is establishing pilot or demonstration projects
7 to show how adaptation planning and assessment can be practically translated into projects that will provide
8 real benefits and may be integrated into national policy and sustainable development planning. In November
9 2003, GEF allotted \$50 million during the 2005-07 period to support adaptation projects. Up to 10% of the
10 GEF adaptation resources will be allocated to the SGP.¹⁹

11 **Carbon Financing and its Relationship with the GEF**

12 **[Next draft may mention geographical and biological sinks, and perhaps housing and construction]**

13 The CCPS2004 reported that the possibilities of greater coordination between the GEF and carbon finance
14 had been discussed within the GEF family. The CCPS2004 found that it would be “useful to clarify GEF
15 involvement in carbon finance programs... Assuming carbon finance grows consistent with modest forecasts,
16 the greater the opportunities for GEF to address barrier removal activities (and less on actual finance) as part
17 of a continuum, and the need for the GEF to address the largest markets and lowest hanging fruit should
18 accordingly decline. Whereas the GEF does not have an obvious role in facilitating emissions trade, it needs
19 to seize the leveraging opportunity of funding that carbon trade represents.” The management response to
20 the CCPS2004 noted that “carbon finance and other flexible mechanisms have dramatically reduced the
21 demand for Short Term Response Measures,” which the management found to be a positive trend since it
22 leaves the GEF relatively free to focus on its longer-term catalytic mission.

23 OPS3 believes that carbon finance will play an increasing role in improving the financial returns of many
24 projects of the type that are in the GEF portfolio, particularly as many regions (e.g., EU, Japan, and Canada)
25 begin to impose carbon constraints on their industries, providing companies with an incentive to locate low
26 cost emission reduction opportunities. With the entry into force of the Kyoto Protocol on 16 February 2005,
27 some projects that have in the past relied on the GEF may be able to tap carbon financing, which may offer
28 more competitive terms and which is more easily able to leverage private sector engagement. A survey of its
29 members by the International Emissions Trading Association (IETA) released at COP-10 in Buenos Aires
30 highlighted that there are currently some 800 Clean Development Mechanism (CDM)²⁰ projects in the
31 pipeline.

32 As highlighted in the regional workshops and confirmed by the IAs, the GEF portfolio is beginning to see
33 competition for funding arising from CDM in market segments such as wind and landfill gas, which are
34 especially attractive for carbon financing because these renewable energy technologies are almost cost-
35 competitive with fossil fuels in power generation. Indeed, participants in several regional workshops cited the
36 emergence of the CDM as a competitor to GEF. Specific examples cited included funding delays associated
37 with a wind power project in Morocco that has resulted in the project more likely to move forward with

¹⁹ Source: GEF and Small Island Developing States.

²⁰ The CDM allows investment by Annex I parties in projects in developing countries under Article 12. The CDM also includes a second objective of assisting developing countries in achieving sustainable development, as the Kyoto Protocol was also structured to assist in generating funding to address adaptation needs. Parties to the Protocol have agreed, in its Article 12.8, “to ensure that a share of the proceeds from certified [CDM] project activities is used to...assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.”

1 carbon finance coming from an OECD government donor than through the GEF. Similarly, participants in
2 the steel re-rolling project in India designed to improve the energy efficiency of the process are aware that
3 while the GEF can play a critical role in overcoming a market barrier, carbon finance will be an option for the
4 roll out of energy efficiency to other mills.

5 This is not, however, likely to be the case for the greater portion of the GEF climate change portfolio,
6 particularly as it relates to off-grid rural energy projects and longer-term technologies. At present, the CDM
7 pipeline does not feature many energy efficiency projects because of the difficulty of proving additionality
8 but, based on several new methodologies being submitted to the CDM Executive Board, this may change as
9 improvements in energy efficiency are shown to earn carbon credits. For now, however, transforming the
10 markets for energy efficiency will likely continue to be an area of focus for the GEF.

11 An outstanding issue is whether the GEF should attempt to engage the private sector by building greater
12 capacity for carbon markets to succeed in developing countries, particularly in those countries that have not
13 attracted investments in CDM projects that reduce GHG emissions. OPS3's conclusion is that the GEF may
14 not need to intervene. The climate change capacity-building programs of UNEP and UNDP appear to have
15 recognized this market gap and are putting in place a variety of capacity-enhancing measures in CDM-eligible
16 countries.

17 **3.2.5 Recommendations**

18 In addition to endorsing the CCPS2004 recommendations on strategic coherence, strategic direction, and
19 lesson learning, OPS3 makes the following recommendations based on the discussions above:

- 20 • *Exploit fully the unique opportunity provided by the second round of Non-Annex I National Communications to develop*
21 *shared agreements about priority policies, programs, and projects.*

22 As the CCPS2004 notes, the GEF has supported or is supporting the development of the majority of NAI
23 first NCs. Development of the second round of NAI NCs provides an opportunity for the GEF to address
24 its stated goal that mitigation and adaptation priorities must be country-driven, to contribute to UNFCCC
25 objectives, and provide greater coherence in funding climate change projects. Specifically, the GEF could use
26 the opportunity to develop sectoral strategies for those countries with existing or anticipated large and diverse
27 portfolios of projects.

- 28 • *Characterize the level of resources required by the GEF to meet the UNFCCC's adaptation priority.*

29 [This recommendation will be revised for next draft, taking into account GEF-4 Programming Document.]

30 Through the experiences in its Adaptation pilot activities, the GEF will need to develop plans for more
31 strategic response to adaptation following the pilot program, given the cost paradigms each funding source
32 requires. As an initial step, the GEF will need to characterize the potentially large resource requirements of
33 the GEF that are needed to meet the adaptation priority. Through its programs on international waters and
34 biodiversity, the GEF is well positioned to carry out UNFCCC's mandate to help coastal communities and in
35 particular SIDS resist the adverse effects of sea-level rise at the level of natural systems.

- 36 • *Evolve the climate change portfolio in light of the maturation of the global carbon market by explicitly excluding specific*
37 *technologies that are already attracting significant carbon finance in specific countries.*

38 In general, it will be important for the GEF Secretariat and the IAs to clarify those areas where carbon
39 finance is competitive so that the GEF avoids intervening in specific technologies and countries that are
40 already attracting carbon finance. [This will be reviewed/revised in next draft.] One possibility is to ensure
41 ongoing monitoring via UNFCCC Secretariat of the types of methodologies being submitted to the CDM
42 Executive Board, the number of projects being approved for each approved methodology, and the volumes

1 and geographic distribution of Certified Emission Reduction (CERs) that are issued. The World Bank's
2 Annual State of the Carbon Market might serve in this regard. The information gathered could be used to
3 identify specific areas where the GEF would be duplicating the role of the private sector if it intervened.
4 Such areas would need to be technology and country specific.

5 **3.3 International Waters**

6 **3.3.1 Scientific and Historical Context**

7 **Scientific Context**

8 Both freshwater systems and oceans are under attack due to human activities. A majority of wetlands have
9 been drained and otherwise altered impacting biodiversity and restricting functioning of these natural systems.
10 Most of the world's largest rivers have been disrupted by dams, canals, and other infrastructure. This
11 infrastructure has caused flooding and changes to river ecosystems, impacting biodiversity. Invasive species
12 are prevalent in a majority of freshwater systems, further altering endemic biodiversity. Over half of the
13 world's major rivers have been degraded by pollution including untreated sewage, industrial run-off, illegal
14 dumping, and agricultural chemicals from farms. Limited resources in shared river basins have been a source
15 of conflict between countries, especially as demands for freshwater rise. Not only do growing populations
16 demand increasing amounts of freshwater from rivers, groundwater resources have also been contaminated,
17 lowering their potability, and overused, leading to salt-water intrusion, and further diminution of fresh
18 drinking water sources. In addition, the availability of freshwater in certain regions is expected to be affected
19 by climate change. The use of untreated, contaminated water continues to be one of the major
20 environmental threats to human health in developing countries. [cite sources](#)

21 Coastal and marine areas have also been affected by human activities, primarily through increasing releases of
22 untreated sewage. Nitrogen pollution from agricultural and other runoff causes phytoplankton blooms and
23 eutrophication. In addition, the majority of fish stocks are depleted due to overfishing. [cite sources](#)

24 Measures taken in the international waters area have been very different. The UN Convention on the Law of
25 the Non-Navigational Uses of International Watercourses (1997) has helped reduce competition over shared
26 freshwater resources. Awareness over problems related to freshwater resources has increased due to the
27 World Water Forums and the International Drinking Water Supply and Sanitation Decade (1980s). Other
28 conventions and agreements handle marine environmental protection, loss of wetlands (Ramsar Convention),
29 the prevention of pollution from ships (MARPOL) and land-based activities (Global Program of Action for
30 the Protection of the Marine Environment from Land-Based Activities), and the protection of fish stocks
31 (UN Agreement on Straddling Fish Stocks and Highly Migratory Fish Stocks). The Global International
32 Waters Assessment (GIWA) funded by GEF since 1998 has focused on solutions and actions to various
33 water problems.

34 **Historical Context**

35 OPS2 found that that GEF projects had made significant contributions to the global health of international
36 waters, and project performance in the IW portfolio was viewed as generally successful. Activities under
37 GEF projects were identified to have facilitated agreement on new conventions, endorsement of regional
38 agreements, adoption of legislation, and acceptance of best practices.

39 In analyzing impacts from the perspective of performance indicators—process, stress reduction, and
40 environmental status indicators—OPS2 found that most of the impacts thus far had been related to
41 processes. OPS2 did find, however, that some impacts had been identified at the level of stress reduction.

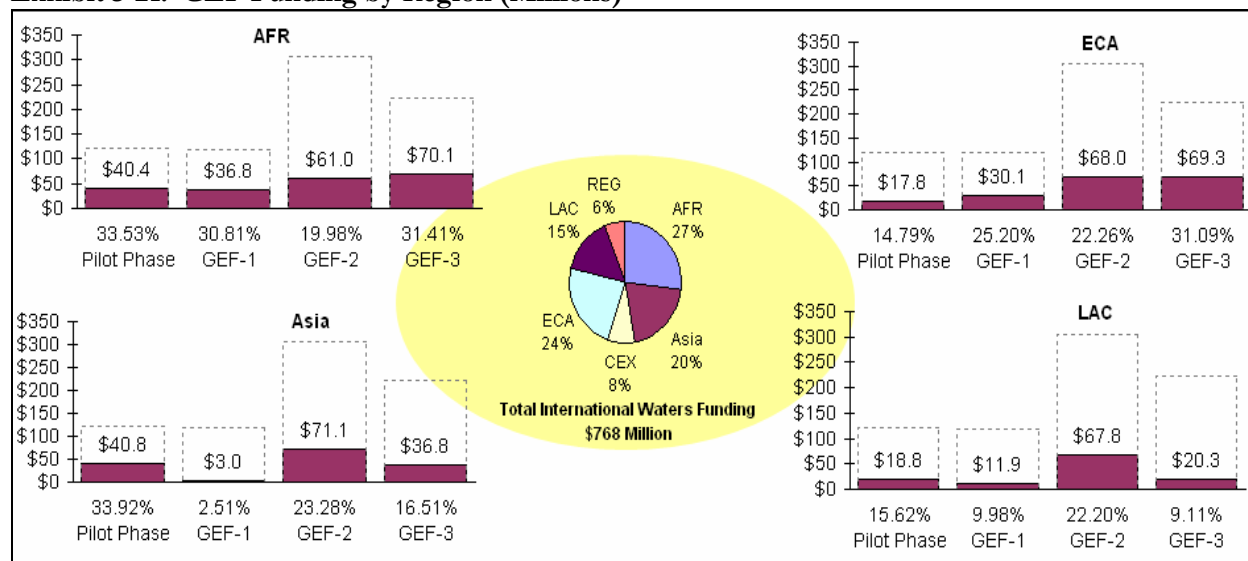
1 OPS2 suggested that an “examination of the role and definition of OP8 and OP9 seems timely given GEF’s
 2 expanded mandate in addressing integrated ecosystem management (OP12) and conservation and sustainable
 3 use of biodiversity important to agriculture (OP13). Also, the introduction of a new focal area for land
 4 degradation will require a thorough assessment of strategic operational issues related to international waters in
 5 the operational programs. Furthermore, the classes of priority contaminants to be targeted in international
 6 waters projects should be reconsidered in light of ongoing discussions to create an operational program on
 7 persistent organic pollutants (POPs). Consequently, OP10 should be revisited to change the emphasis from
 8 ship-derived impacts on international waters to effects of land-based activities.” OPS2 also recommended
 9 that “the science-based TDA continue to be the basis for facilitating country agreements on SAPs which can
 10 mobilize multi-donor support for remedying or preventing environmental threats to international waters.”

11 The Third GEF Replenishment Agreement set the following target for the GEF International Waters
 12 Program: "Projects will be approved to establish management frameworks (focused on environmental
 13 priorities) in riparian countries in no fewer than 2 new transboundary waterbodies."

14 3.3.2 Portfolio Analysis

15 GEF’s international waters (IW) portfolio funding totals \$768.3 million over the period from 1991 through
 16 March 2005. Exhibit 3-21 shows the geographic distribution of total GEF IW financing since 1991. This
 17 portfolio has grown significantly over time, from a global total of \$119.4 million during GEF-1 (FY95
 18 through FY98) to \$305.4 million during GEF-2 (FY99 through FY02). With this overall growth (about 56
 19 percent from GEF-1 to GEF-2), the geographic distribution of funding has changed somewhat over time.
 20 Asia, for example, grew from a small fraction (3 percent) of the IW portfolio during GEF-1 to 23 percent
 21 during GEF-2. The project funding supporting IW activities in Asia grew from only \$3 million to over \$70
 22 million over this time period while other regions grew by much smaller amounts. While GEF-3 shares to
 23 date are also shown below, the phase continues through 2006.

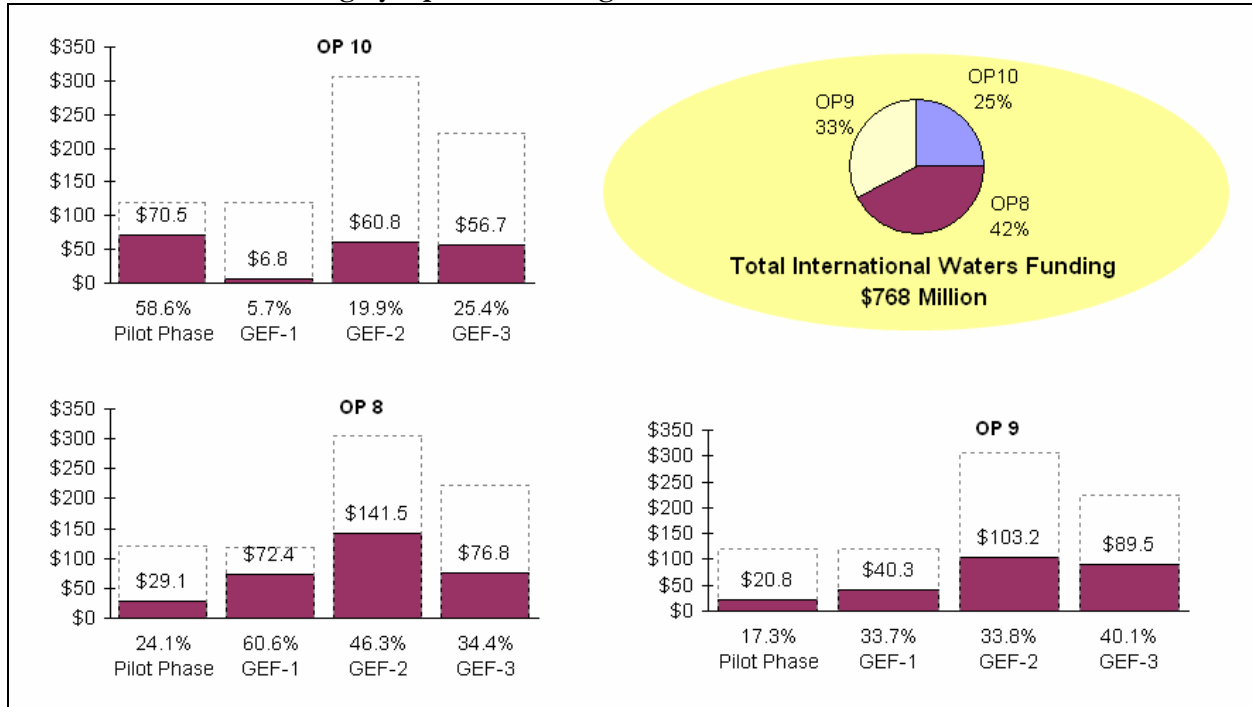
24 **Exhibit 3-21. GEF Funding by Region (Millions)**



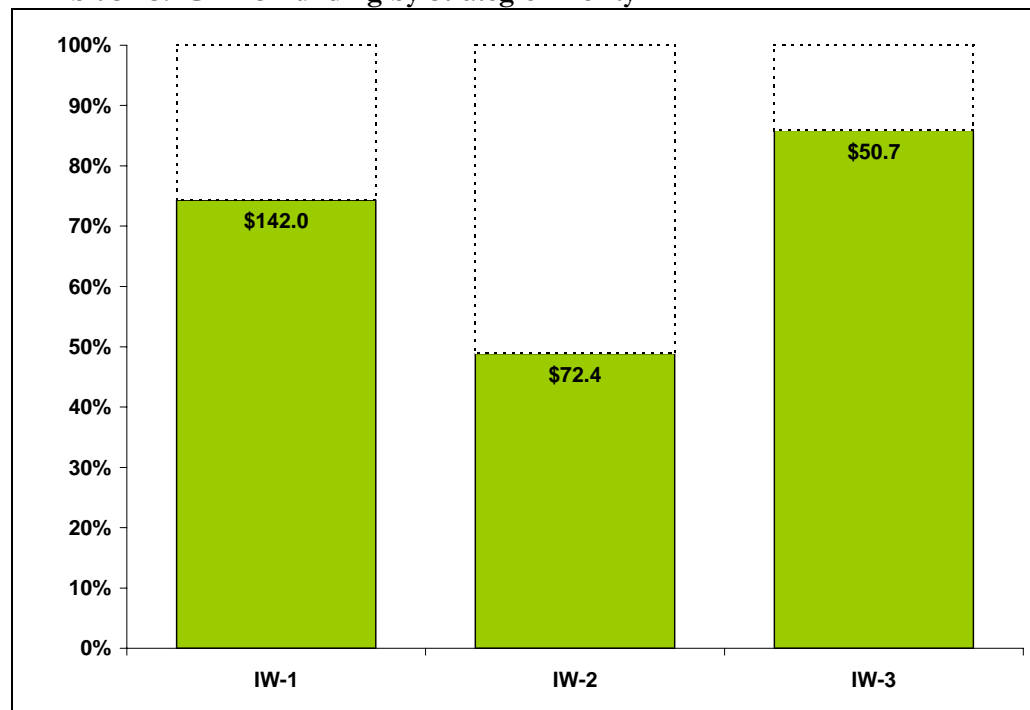
25
 26 The large majority of funding in the GEF IW Program has gone to multi-country projects--\$622.3 million to
 27 date, or over 80 percent of all funding in the focal area. The GEF has funded 21 IW projects in 14 individual
 28 countries since 1991, totaling over \$145.9 million. The top 3 recipients (China, Romania, and Brazil)
 29 represent 57 percent of IW funding to individual countries.

1 **Error! Reference source not found.** shows the allocation of IW funds by OP during each GEF Phase.
 2 Since 1991, OP8 projects have received the largest share of funding to date, \$319.7 million (42%), while
 3 OP10 projects have received only \$194.8 million (25%) of the total \$768.3 million that has supported the IW
 4 focal area. The quantity and share of OP10 funding has increased over time, however, from only 6 percent
 5 during GEF-1 to 25 percent during the current period.

6 **Exhibit 3-22. GEF Funding by Operational Program**



7
 8 Exhibit 3-23 presents GEF-3 funding in each IW Program Strategic Priority to date (May 2005). As shown,
 9 funding has been somewhat inconsistent across the Strategic Priorities; projects have been approved in
 10 Strategic Priority 3 equaling almost 90 percent of the total resource envelope allocated in the GEF FY05-07
 11 Business Plan. By contrast, only about 50 percent of the total resources allocated to Strategic Priority 2 have
 12 been approved in projects.

1 **Exhibit 3-23. GEF-3 Funding by Strategic Priority**

2

3 **3.3.3 Current Evidence - Contribution of GEF to the Health of International**
 4 **Waters**

5 The GEF's mission in the International Waters (IW) focal area is to provide global environmental benefits by
 6 supporting activities that safeguard transboundary water resources by protecting them against pollution,
 7 physical habitat degradation, introduction of non-native species, and excessive exploitation of resources. The
 8 GEF Council established guidance for the international waters focal area in the GEF Operational Strategy.
 9 Operational Programs (OP8—Water body-based, OP9--Integrated Land and Water Multiple Focal Area, and
 10 OP10--Contaminant-Based) were developed to implement the Operational Strategy.

11 OPS3 used the recently completed 2004 IW Program Study (IWPS2004) as the primary input on the results
 12 achieved through International Waters projects. Based on findings obtained from the OPS3 extensive desk
 13 study and stakeholder consultations, OPS3 does not refute any of the results reported in IWPS2004. Indeed,
 14 OPS3 agrees that the IW focal area is a well-managed portfolio of interventions that extends to almost every
 15 GEF-eligible large catchment and large marine ecosystem, and is increasingly successful at leveraging
 16 collateral funding, including investments. The IW portfolio is a work in progress, that is, it has set out to plan
 17 what needs to be done to systematically improve transboundary water environments and has focused much
 18 of its initial support to creating the proper enabling environments to implement those plans. The impacts
 19 and outcomes of these efforts are highlighted below.

20 In general, OPS3 believes that the IW focal area, all the while committed to continual improvement, should
 21 carry on building upon its excellent foundation of achievements of the past 14 years. This focal area provides
 22 a unique mechanism for ameliorating transboundary environmental problems in continental and coastal
 23 waters and the global marine commons. Its effectiveness-tested stepwise approach (of understanding the key
 24 transboundary concerns, building capacity to work jointly, identifying policy, legal and institutional
 25 reforms/investments needed to reverse degradation trends, making joint commitments to implementation,
 26 and actually implementing on-the-ground measures with agreed incremental costs) could be a useful role
 27 model for other to use in pursuit of improved resource use and sustainable development.

1 As the GEF Secretariat noted in document GEF/C.24/3 submitted to Council in November 2004, the GEF
2 IW Program was more than successful in achieving the target set by the Third GEF Replenishment; indeed,
3 in FY03 and FY04, projects were approved in six new transboundary waterbodies with the aim of facilitating
4 the establishment of a variety of management frameworks. These approvals represent a significant expansion
5 of the geographic coverage of foundational projects in the portfolio.

6 **Impacts of the GEF International Waters Program**

7 **Environmental and socioeconomic status**

8 The IW focal area is making progress to determine environmental status indicators and to set goals for
9 improved water quality. However, the IWPS2004 reported difficulty in convincing some recipient countries
10 to sustain monitoring systems in order to measure the longer-term impacts of IW projects on environmental
11 status. In particular, the Black Sea-Danube project is exemplary of this challenge; the IWPS2004 found that
12 despite 10 years of activity, a coherent monitoring system has still not been established, except in Romania
13 and to a limited extent Ukraine. According to the IWPS2004, however, more attention has been paid to
14 environmental status monitoring in Lake Victoria, projects in South America, and the South China Sea
15 project.

16 To date, there are only a few projects in the IW portfolio that have entered a SAP implementation phase,
17 such as the Black Sea-Danube Strategic Partnership, and while these projects are making valuable
18 contributions to stress reduction that are expected to eventually result in environmental status impacts, it is
19 too early in the lifetime of these projects to report on impacts in terms of environmental improvement.

20 **Stress reduction**

21 The IWPS2004 reported being reasonably satisfied that monitoring of stress reduction impacts was
22 happening in most projects, although the diverse reporting formats and dense documentation made it
23 difficult for IWPS2004 to determine whether systematic monitoring systems had been established.

24 Stress reduction that will help prevent future degradation of vital systems is occurring in some water bodies,
25 such as the Black Sea-Danube and Lake Victoria. In other water bodies, the results of GEF support are still
26 being quantified and are likely to be greater than can be measured at this time.

27 **Outcomes of the GEF International Waters Program**

28 In general, the GEF IW Program has achieved significant outcomes. There are numerous examples of IW
29 focal area outcomes that in time will result in stress reduction impacts. While there is no global convention
30 for which the GEF IW focal area is the financial mechanism, the IW Program has itself spawned a global and
31 several regional conventions. This focal area has been an effective agent for policy, legal, and institutional
32 reforms, and for valuable, but unquantifiable, results such as regional integration, political stability, and
33 promotion of peace and security. Further, one of the strengths of GEF interventions is that they provide a
34 forum for countries to address external effects that their activities have on other countries sharing the same
35 water body. Often countries resist coming to the table, but the GEF IW Program can often be credited with
36 overcoming this resistance.

37 Outcomes in the IW Program have been achieved in the following six primary areas, which are discussed
38 below:

- 39 • Successful foundational, demonstration or SAP implementation projects;
- 40 • Institutional strengthening, partnerships, and stakeholder participation;

- 1 • Establishing international agreements;
- 2 • Increasing regional and global security,
- 3 • Creating links to sustainable development; and
- 4 • Identifying and incorporating lessons learned.

5 **Successful foundational, demonstration or SAP implementation projects**

6 The IWPS2004 paid special regard to overall performance of projects classified as ‘foundational,’
7 ‘demonstration,’ or SAP implementation. As a result of its research and consultations, OPS3 agrees that:
8 foundational projects generally show improvements upon each iteration of the TDA/SAP process; and that
9 demonstration activities have been successful in generating local participation and ‘home grown’ solutions to
10 problems. The success of the GloBallast demonstration project to catalyze an international agreement is a
11 noteworthy achievement; SAP implementation projects, such as the Black Sea Strategic Partnership, are
12 demonstrating catalytic impacts through leverage of investments. The IWPS2004 found, however, that an
13 increased effort will be needed to maintain coherence among the components of the Black Sea Strategic
14 Partnership, including enhanced mechanisms to coordinate the approaches of the IAs at an operational level.
15 The completed Red Sea project is another example where all three IAs contributed to the overall success by
16 sharing their comparative advantages. This success was despite a tendency for projects, such as these in the
17 Red Sea, to fragment into self-standing components because the level of management fees that can be
18 individually charged by the IAs is low when collaboration occurs.

19 Projects in the IW Program have also produced scientific results and catalytic effects. Indeed, the 2004 IWPS
20 found that projects that produce scientific results have usually had catalytic effects. Projects such as the
21 Global International Waters Assessment project have advanced the use of Large Marine Ecosystems (LMEs)
22 classification. The U.S. is planning to promote, within the United Nations Environment Program’s Regional
23 Seas programs and within international fisheries bodies, the use of the LME concept as a tool for enabling
24 ecosystem based management to provide a collaborative approach to management of resources within
25 ecologically bounded transnational areas.

26 **Establishment of International Agreements**

27 While the GEF does not serve as the financial mechanism for a global convention on international waters, its
28 operational policies have supported the negotiation, establishment, and implementation of several many
29 globally relevant treaties, conventions, protocols, agreements, and multi-country commissions related to
30 international waters. Such new regional/global treaties and protocols to existing treaties demonstrate
31 country-driven support for sustainability of GEF catalytic action and underscore relevance of the
32 achievements in the focal area; indeed, 50 countries have signed the nine regional treaties and dozens have
33 signed the global convention. Indeed, M&E Working Paper 8 concluded that the GEF IW Program “can
34 thus be seen as a major, or possibly, the major, facilitator of the implementation, and increased adoption, of
35 international water laws, action plans, and regional environmental protection agreements,” the role of which
36 “may be of critical importance for the success and sustainability of GEF initiatives.”

37 **Improvements to Regional and Global Security**

38 There have also been important benefits to regional and global security from some interventions.
39 Interventions such as those in the Dnipro, Caspian Sea, Lake Victoria, Lake Tanganyika, Lake Peipsi, and the
40 Mekong River have promoted a productive dialogue between countries that has avoided conflicts over
41 resource use. This additional outcome has in turn generated greater ownership by the countries involved and
42 has attracted additional donors that are particularly concerned with resource use security issues. The IW Focal
43 Area is likely unique in its capability to achieve such outcomes and leverage. It is therefore making an

1 important contribution to the UN's Millennium Development Goals and the Johannesburg Declaration of
2 the World Summit on Sustainable Development WSSD. During its visit to the PEMSEA office in Manila,
3 OPS3 found that, in terms of regional security, encouraging North Korea to participate fully in PEMSEA is a
4 noteworthy diplomatic achievement for which the GEF can take credit.

5 **Partnerships, Increased Stakeholder Participation, and Institutional Strengthening**

6 The GEF has created many successful partnerships with local and national governments, local, national and
7 international NGOs, academia, private sector entities, donors, and other projects and international initiatives.
8 The GEF has been able to bring different stakeholders together, creating linkages between communities,
9 NGOs and governments, encouraging cooperation and improving understanding and dialogue between local
10 and national levels.

11 As an example of a strategic partnership that the GEF has spawned, the IW focal area has successfully piloted
12 in the Danube/Black Sea Basin a "Strategic Partnership Investment Fund" modality for catalyzing action to
13 reduce transboundary pollution. Similar partnerships are taking shape elsewhere, suggesting that this is
14 becoming a priority funding mechanism for implementation of stress reduction measures. There are
15 challenges associated with partnership, however. The IWPS2004 found that while the constituent projects
16 under the Danube/Black Sea Strategic Partnership had proceeded in their initial phases, some quite
17 successfully, little cohesion has been achieved, in part because this issue has been given insufficient attention
18 in the initial project design. IWPS2004 also noted that IA cooperation at the operational level has been
19 inadequate, and that the Black Sea component has faced particular problems of poor management and
20 country support. [Next draft will present steps by IAs to address these problems.]

21 Institutional strengthening at the national and regional level resulting partly or totally from GEF projects has
22 proven useful in situations requiring an immediate response. The Transboundary Diagnostic Analysis/
23 Strategic Action Program (TDA/SAP) process has provided a mechanism for the GEF to contribute
24 substantially to the in-country strengthening of institutions and to promote strategic alliances among
25 institutions in different countries, thus promoting the development of effective monitoring systems and
26 improved management capacities. The TDA/SAP tool is a good mechanism for harmonizing the IW
27 scientific approach with a policy approach, and a positive byproduct is capacity building.

28 To that end, the IWPS2004 found that the TDA can be an effective tool if it "sets appropriate boundaries,
29 identifies all relevant stakeholders, conducts studies by joint fact finding (without excluding any relevant
30 regional expertise), includes an appropriate balance of disciplines, identifies the socioeconomic causes of the
31 transboundary problems identified, evaluates the institutional capacity, and makes all the information available
32 to the stakeholders in a concise and nonjargonistic manner." However, not all of the TDAs examined by the
33 IWPS2004 considered all these elements, resulting in difficulties in strategic planning and effective
34 operationalization of the projects; the IWPS2004 recommended that stakeholder analysis and institutional
35 mapping be an essential part of all TDAs. With respect to the SAPs, IWPS2004 found that well-designed,
36 country-driven SAPs "provide a benchmark to encourage and assess progress toward commonly defined
37 goals and milestones." Many SAPs, however, according to the IWPS2004 have lacked certain elements that
38 allow them to achieve this success, including the establishment of Ecosystem Quality Objectives, detailed
39 operational strategies, and effective country-level monitoring programs. [Next draft will present steps by IAs
40 to address these problems.]

41 **Links to Sustainable Development**

42 Another important outcome of the GEF IW program is laying the groundwork for sustainable development
43 in relation to international waters. Additional GEF IW program outcomes include providing effective
44 support to integrating protected areas into several ecosystem management projects, building capacity for
45 hundreds of public officials world-wide, and to provide opportunities for NGOs to assume a greater role in

1 resource management. As IWPS2004 suggests, much of what IW supports is the vital but unglamorous,
2 difficult to quantify ‘groundwork’ for sustainable development: developing strategies and innovative
3 solutions, improving awareness, promoting stakeholder dialogue, helping to build new institutions, testing
4 new approaches through demonstration projects, and creating opportunities for investment. The IW
5 program in following its operational strategy to assist countries to jointly undertake a series of processes with
6 progressive commitments to action, instill a philosophy of adaptive management, and simplify complex
7 situations into manageable components for action (M&E Working Paper 10), is engaged in a pursuit that is
8 difficult to objectively assess. GEF IW activities are also making an important contribution to Agenda 21
9 objectives by bringing countries that share waterbodies together to discuss common strategies for sustainable
10 use and development.

11 The GEF IW program has also linked multilateral action to achieve global benefits to local benefits and
12 sustainability. Resolution of problems such as huge overgrowths of water hyacinths in Lake Victoria could
13 not have been resolved unilaterally—it was truly a transboundary problem with serious implications for
14 sustainable use of the aquatic resources. It also had important local dimensions for poverty alleviation and a
15 reduction in health risk. Also, Pacific SIDS economies rely heavily on the tuna fisheries. After adopting a
16 GEF joint SAP in 1997, 13 Pacific SIDS began implementation and a landmark international treaty for
17 sustaining tuna fisheries in the Pacific, the Convention on the Conservation and Management of Highly
18 Migratory Fish Stocks of the Western and Central Pacific Ocean, was negotiated overall several years and
19 adopted in 2004. This agreement and recent GEF commitment to support its initial implementation is having
20 a positive effect on sustainability of the fishery.

21 **Lessons Learned**

22 The OPS3 consultations have found that the exchange of lessons learned is significantly improving. OPS3
23 found that the processes demonstrated in IW focal area projects and structured learning undertaken within
24 the portfolio through its IW: LEARN initiative with all three IAs are excellent models for others to emulate
25 in striving to implement WSSD targets to achieve the Millennium Development Goals (MDGs). IW:
26 LEARN is in its second phase and has the potential to become increasingly effective at producing focused
27 results and yielding useful products such as the TDA/SAP course, which was an output of Train-Sea-Coast,
28 the second component of the first phase of Global Knowledge Sharing in IW. For a more detailed discussion
29 of lessons learned and knowledge management in the GEF, please see TOR 5B.

30 The GEF IAs and countries have also responded well to fill gaps in coverage of transboundary concerns
31 addressed by projects in the portfolio that have been identified in Program Status Reviews (PSRs). Two key
32 program gaps have been identified for a number of years: (a) addressing water scarcity/competing uses of
33 water resources, including those resulting from climatic fluctuations and (b) stabilizing and reversing fisheries
34 depletion in LMEs through ecosystem-based approaches. In response, there are a number of concepts in the
35 approved pipeline as well as several more mature concepts ready to enter the pipeline consistent with the
36 OPs. As underscored by the STAP, implicit in addressing water scarcity and competing water uses in basins
37 is the integrated consideration of surface water and groundwater. This linkage is being stressed.

38 **3.3.4 Other Issues and Strategic Tradeoffs**

39 This section discusses the following three strategic issues as identified by the IWPS2004 and OPS3: (1)
40 clarification of programs, processes, and practices; (2) monitoring and evaluation and measurement of results;
41 (3) coordination in the IW Program.

42 **Clarification of Programs, Processes, and Practices**

43 The IW Program Study undertaken in 2000 recommended “much more could be done to clarify the role of
44 the various Operational Programs.... For instance, OP8 and OP9 should be clarified to make them mutually

1 coherent and consistent with the new OP12.” Along the same lines, the IWPS2000 recommended that “the
2 definitions in OP10 should be revised to reduce the emphasis on ship-derived impacts on international waters
3 and increase the emphasis on land-based activities and their effects, including those mediated by atmospheric
4 transport pathways. Concurrently, the classes of priority contaminants should be reconsidered and revised to
5 reduce the emphasis on metals, hydrocarbons, and those persistent organic pollutants of primary relevance to
6 the new POPs Convention.” In reviewing progress on these recommendations, IWPS2004 found little
7 evidence of progress to clarify the definition of these OPs, although the IWPS2004 did note that the range of
8 projects implemented under OP10 has expanded.

9 To address these conceptual discrepancies, the IWPS2004 recommended “the production and use of an
10 accessible GEF International Waters Focal Area manual to clarify the concepts, tools and processes that are
11 giving rise to recurrent difficulties for project design and implementation.” IWPS2004 envisioned this
12 manual to include clearer descriptions of the OPs and the relationship of the IW Program with other focal
13 areas; concepts, including global and local benefits, incremental costs, and leverage; tools such as adaptive
14 management, TDA, SAP, and demonstration projects; and processes, including project cycle details and
15 M&E systems. Written in plain English and translated into all U.N. languages, the IWPS2004 believes that
16 this document would be used during the training of all GEF project staff. OPS3 endorses this
17 recommendation, noting that such a document could be useful in the other focal areas, as well.

18 GEF management also responded positively to this recommendation, noting that M&E Working Paper 10
19 could serve as a starting point for producing such a manual for GEF-4 that incorporates experience gained
20 during GEF-3. The GEF management response also noted that a training course on the TDA/SAP process
21 and the focal area has been under development for two years and its final design occurred in October 2004;
22 now the course will be used to train new project staff, governments, and technical experts to address
23 deficiencies in the understanding of the TDA/SAP approach.

24 **Monitoring and Evaluation and Measurement of Results**

25 The IWPS in 2000 recommended that “a streamlined oversight and tracking methodology should be prepared
26 and implemented.” While the IWPS2004 identified some areas of progress, including attempts at indicators
27 and improved project identification, current deficiencies in the M&E system were identified and attributed
28 largely to the fact that the M&E components have not integrated well into a system. To address these
29 shortcomings, the IWPS2004 recommended that the GEF “develop a comprehensive M&E system for IW
30 projects that ensures an integrated system for information gathering and assessment throughout the lifespan
31 of a project.” This system, according to the IWPS2004, would incorporate both monitoring of project
32 achievements and progress. In endorsing this recommendation, OPS3 also finds that this system should also
33 provide standard formats for reporting on stress reduction and environmental and socioeconomic indicators.
34 GEF management noted that the project level indicators that were included in M&E Working Paper 10 could
35 be used as indicators of progress in IW projects.

36 **Coordination in the IW Program**

37 The IWPS2004 identified shortcomings with respect to coordination in the IW Program, specifically at the
38 regional level and in terms of the role of an important coordination mechanism in the IW Program—the
39 GEF International Waters Task Force (IWTF).

40 IWPS2004 recommended “the incorporation of a regional level coordination mechanism for IW projects.
41 The objective of the new mechanism would be to increase the synergies between IW projects within defined
42 natural boundaries and their focus on global benefits, to enable communication and coordination with
43 relevant projects in other focal areas, to enhance feedback between projects and the IW Task Force, and to
44 facilitate implementation of the M&E strategy at the regional level.”

1 The GEF management response pointed out actions that are already being taken to improve regional
2 coordination, including a cluster of 5 new international waters projects in the Sahel, and one cluster in East
3 Africa, that have all been prepared with additional resources dedicated to coordination. The management
4 stated that “GEF is committed to continue to program such coordination resources in current and future
5 projects.” Additionally, the GEF management noted that regional coordination has also been included as a
6 feature in Strategic Partnerships, and that a meeting in November 2004 provides an opportunity to assess why
7 this feature has not worked as well as originally intended and to facilitate integrating lessons learned into
8 future project designs.

9 IWPS2004 also recommended that the GEF IWTF be redefined in such a way that it should (1) enhance its
10 role in the definition of technical guidelines and policies; and (2) ensure the optimum use of comparative
11 advantages of the IAs within each intervention and also examine the selection of Executing Agency in
12 accordance with agreed criteria. As an additional part of this redefinition, IWPS2004 suggested that an
13 independent study of the management costs of GEF IW projects, as well as a needs assessment for the
14 efficient technical backstopping and supervision of IW projects, be conducted. The GEF management
15 response, while supporting the recommendation, suggested that additional corporate resources could be
16 required to implement the recommendation.

17 OPS3 supports these recommendations to improve coordination within the IW Program; please see Section 0
18 for a detailed discussion of coordination within the GEF.

19 **3.3.5 Recommendations**

20 In addition to the recommendations from IWPS2004 endorsed by OPS3 in the sections above, OPS3
21 recommends the following:

- 22 • *The GEF IW Program should move from enabling activities to scaling-up of full operations to address agreed priorities for*
23 *global critical transboundary water systems.*

24 The objectives established for the IW OPs during 1996 were quite modest. This was because strategies to
25 facilitate multi-country cooperation for addressing transboundary concerns of different types of freshwater
26 and marine systems in different settings were not well developed, capacity building processes take time to
27 build trust and confidence among nations, and only modest resources were available for the focal area.
28 OPS1, OPS2, and M & E activities documented considerable success with foundational and capacity building
29 processes, but suggested that determining achievement of OP objectives would require additional years of
30 project implementation.

31 As described, the GEF IW Program has achieved significant success at the foundational/capacity building
32 level. This approach has tended to be a cost-effective approach to overcoming barriers to joint action,
33 building ownership among various ministries in each participating nation, and setting science-based priorities
34 for policy, legal, and institutional reforms and investments. Once the science-based frameworks for joint
35 action have been agreed upon, GEF assistance is intended to move from a foundational/capacity building
36 phase to implementation of agreed incremental costs of the reforms and investments that will lead to
37 measurable impacts. The initial multicountry projects are equivalent to “enabling activities” in other focal
38 areas in that they are designed to develop country-driven priorities for policy, legal, and institutional reforms
39 and investments needed to address key transboundary concerns identified by nations.

40 To date, the IW focal area has primarily been a mechanism for catalyzing action by gathering information,
41 conducting assessments, doing strategic planning, and leveraging funds to assist with the realization of plans.
42 The new challenge of the GEF IW Program, which the IW Strategic Priorities have identified, is to push
43 beyond the shorter-term goals of OPs 8 and 9, to longer-term financial mobilization and realization of
44 demonstration projects necessary under OP10.

1 OPS3 recommends that the IW focal area should shift, from a testing and demonstration mode (enabling
2 activities) to scaling-up of full operations in support of agreed incremental costs of reforms, investments, and
3 management programs needed to address agreed priorities for globally critical transboundary freshwater and
4 marine systems.

5 **3.4 Update to 2000 Study of Impacts of GEF Activities on Phase-** 6 **Out of Ozone Depleting Substances**

7 The ozone layer depletion (ozone) focal area's main objective is the phase out of the production and
8 consumption of ozone-depleting substances. In 2000, the *Study of Impacts of GEF Activities on Phase-Out of*
9 *Ozone Depleting Substances* (hereafter referred to as the 2000 Ozone Study) reported on program progress
10 through 1999, while reported consumption data were through 1997. The TOR for OPS3, in addition to
11 asking about quantitative and qualitative benefits of GEF activities in the ozone focal area, specifically asked
12 for an update of the 2000 Ozone Study. Therefore, the findings for the ozone layer depletion focal area are
13 presented here as first overall program results and then secondly, as an update to those outcome categories
14 reported in the 2000 Ozone Study.

15 **3.4.1 Scientific and Historical Context**

16 **Scientific Context**

17 As early as the 1970s, anthropogenic emissions of chlorofluorocarbons (CFCs) and other ozone-depleting
18 substances (ODS) were identified as a threat to the Earth's protective ozone layer. These concerns were
19 linked to the seasonal Antarctic ozone hole in the early 1980s. Based on targeted research and high-level
20 discussions in the international scientific community, the link between ozone depletion, UV-B radiation
21 reaching the Earth's surface, and the associated risks to human health (e.g., skin cancers, cataracts, and
22 immune suppression) was clearly made. These adverse health effects, as well as other impacts including
23 deleterious effects on agriculture, aquaculture, ecosystems, and materials led the international community to
24 negotiate the Vienna Convention for the Protection of the Ozone Layer in 1985, and subsequently the
25 Montreal Protocol on Substances that Deplete the Ozone Layer in 1987, to gradually phase-out production
26 and consumption of ODS.

27 **Historical Context**

28 The 1995 GEF Operational Strategy states that "although the GEF is not linked formally to the Montreal
29 Protocol, the GEF Operational Strategy in Ozone Depletion is an operational response to the Montreal
30 Protocol, its amendments, and adjustments." The GEF's focuses on providing support to "developing
31 countries" that are not eligible for financial assistance under Article 5 of the Montreal Protocol. In particular,
32 countries with economies in transition (CEITs) that are not eligible for funding under the Multilateral Fund
33 (MLF) of the Montreal Protocol. The restructured GEF has assisted 18 CEITs to meet their obligations
34 under annexes A and B of the Montreal Protocol (addressing CFCs and Halons). As a result of the
35 implementation of the Montreal Protocol (both GEF and MLF projects), total consumption of ODS has
36 dropped by more than 90 percent, compared to what would have occurred under a business-as-usual
37 scenario.

38 **3.4.2 Portfolio Analysis**

39 GEF's ozone depletion portfolio funding totals \$177.2 million over the period from 1991 through March
40 2005. This portfolio has been reduced significantly over time, from a global total of \$122.3 million during
41 GEF-1 (FY95 through FY98) to \$43.4 million during GEF-2 (FY99 through FY02). In GEF-3, funding has
42 totaled only \$7.3 million thus far, although the phase continues through 2006.

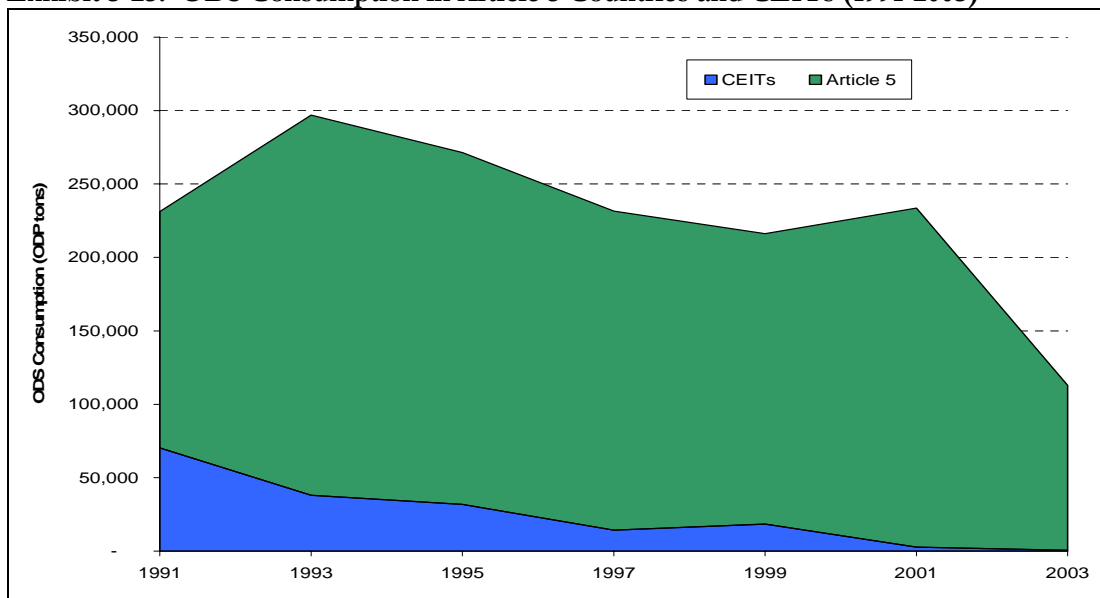
1 **Exhibit 3-24. GEF Funding in GEF-1, GEF-2, and GEF-3 (through March 2005)**



2
3 **3.4.3 Current Evidence – Contributions of the GEF to ODS Phase-Out**

4 According to official data reports under Article 7 of the Montreal Protocol collected by the Ozone Secretariat
 5 in Nairobi, Kenya, consumption of Annex A and B substances²¹ in the countries eligible for GEF funding
 6 (i.e., Countries with Economies in Transition or CEITs) decreased from about 296,000 ODP MT in the late
 7 1980s to less than 350 ODP MT by 2003, a reduction of more than 99.8 percent. Since publication of the
 8 2000 Ozone Study, consumption has dropped from 14,600 ODP MT to 350 ODP MT. This consumption
 9 reduction is depicted in Exhibit 3-25.

10 **Exhibit 3-25. ODS Consumption in Article 5 Countries and CEITs (1991-2003)**



11
 12 The 2000 Ozone Study anticipated that, excepting Kazakhstan and Tajikistan, all CEITs would be in
 13 compliance by 2003. Currently, of the 14 countries that have reported data for 2003, only one CEIT is in

²¹ Annex A and B substances include CFCs, halons, carbon tetrachloride, and methyl chloroform.

1 potential non-compliance with Annex A and B phase-out requirements. Because some CEITs historically
 2 have been in non-compliance with these Annex A and B phase-out requirements, a number of benchmarks
 3 were set by the Meeting of the Parties (MOP) to bring non-compliant CEITs into compliance. For example,
 4 in Decision XIII/20, the 13th MOP required Tajikistan to reduce CFC consumption to 4.69 ODP metric tons
 5 (MT) for 2003 and to completely phase out CFC consumption by 1 January 2004. Production also has been
 6 reduced accordingly, and Russia (the former largest producer of ODS in the region) reported zero production
 7 of Annex A and B substances in 2002.

8 As shown in Exhibit 3-26, the CEITs have nearly completed the full phase-out of Annex A and B substances,
 9 and the GEF has essentially achieved its main objective in the ozone depletion focal area—to eliminate the
 10 consumption (i.e., production, exports, and imports) and emissions of ODS. While all countries with the
 11 exception of Kazakhstan have met the 70 percent reduction target for methyl bromide for 2003, additional
 12 efforts will be needed to completely phase out the consumption of methyl bromide. This is especially true in
 13 light of continuing use of methyl bromide by developed countries past the 2005 phaseout date. To aid in
 14 these efforts, the GEF Council named methyl bromide reduction as one of its Strategic Priorities in its FY
 15 2005-2007 Business Plan.

16 Exhibit 3-26. Information on CEITs Receiving GEF Support (ODP MT)

Country	Status of Ratification ^a	Annex A and B Consumption		Annex E Consumption		Annex A & B Compliance Notes
		Baseline	2003	Baseline	2003	
Azerbaijan	MA	3,759.70	10.2	2.8	0	Potential non-compliance
Belarus	LA	2,811.80	0	0	0	In compliance
Bulgaria	BA	3,290.00	0	51.8		In compliance
Czech Republic	BA	8,654.70		6.5		By-product waste - stocked for feedstock, export or destruction
Estonia	BA	311.9	0	0	0	In compliance
Hungary	BA	8254.2	0 d	31.8	9.5	In compliance
Kazakhstan	LA	2349.5	0.4	15.6	6.4	Residual consumption of CFCs in within commitment in plan of action; residual consumption of MeBr is above commitment in plan of action ^e
Latvia ^b	BA	6,183.00	0	15.3	0	Data for 2003 not yet reported
Lithuania	BA	5,595.30	0	32.9	6	In compliance
Poland	MA	9,880.50	115	120	36	Residual consumption is in essential use exemptions and laboratory and analytical uses
Russian Federation ^b	LA	233,072.00	0 f		0	Data for 2003 not yet reported
Slovakia	BA	1,873.60	6	6	0	Residual consumption is laboratory and analytical uses
Slovenia	BA	2,838.30		0		Residual consumption is laboratory and analytical uses
Tajikistan	LA	211	4.7	0.9	0	Within commitments in plan of action
Turkmenistan ^b	LA	178.7	0.5	0	0	Data for 2003 not yet reported

Country	Status of Ratification ^a	Annex A and B Consumption		Annex E Consumption		Annex A & B Compliance Notes
		Baseline	2003	Baseline	2003	
Ukraine	CA	4,993.20	0	0	0	Residual consumption is essential use exemptions
Uzbekistan ^b	CA	1,888.10	0	4.4	0	Data for 2003 not yet reported
Total		296,342	136.8	288.0	62.1	

^a Presents amendment most recently ratified. MP: Montreal Protocol; LA: London Amendment; CA: Copenhagen Amendment; MA: Montreal Amendment; BA: Beijing Amendment.

^b These countries had not provided data for 2003 as of the 16th Meeting of the Parties in November 2004.

^c The Czech Republic also reported -4.4 ODP MT for consumption of CFCs in 2003.

^d Hungary also reported -1.3 ODP MT for consumption of CFCs in 2003.

^e Because Kazakhstan has not yet ratified the Copenhagen Amendment, it is not bound by the control measures applicable to Annex E/I.

^f The Russian Federation also reported -6.4 ODP MT for consumption of carbon tetrachloride in 2002.

Sources: Information provided by the Parties in accordance with Article 7 of the Montreal Protocol on Substances that Deplete the Ozone Layer

Update to 2000 Study of Impacts - Results

The following topics are parallel to those reported in the 2000 Ozone Study and the information here is an update on progress achieved in the phase-out of ozone depleting substances, as stipulated in the OPS3 TOR.

Project approval

Since 1999, the GEF has approved projects for ODS phase-out in four additional CEITs (Armenia, Estonia, Kazakhstan, and Tajikistan), bringing the total number of countries receiving support from the GEF for ozone activities to 18.²² Excluding Armenia, eight of these 17 GEF projects have been implemented jointly by UNDP and UNEP, while nine have been implemented by the World Bank alone. An additional 22 subprojects have been implemented since 1999.

Financing for ODS phase-out

According to the GEF project database, the total cost of phase-out projects (including regional projects) has grown from \$335.9 million at the end of FY1999 to approximately US\$359.1 million as of March 2005. Of that, approximately US\$23 million increase, US\$15.4 million has come from GEF grants, and the remaining US\$7.8 million has come from co-financing. As a result, the GEF's total contributions have increased to about US\$177.2 million from US\$161.8 million in 1999. The percentage of the total cost of the projects covered by the GEF has increased slightly over the past five years, from 48.2 percent in 1999 to 49.3 percent as of March 2005.

Amount of ODS phase-out

As shown in Exhibit 3-27, total appraised direct ODS phase-out²³ has amounted to approximately 19,000 ODP MT, an increase of almost 700 ODP MT since 1999. This increase can be mostly attributed to the considerable progress of Estonia, Tajikistan, and Kazakhstan in implementing their Country Programs for ODS phase-out. Assistance from GEF projects has accounted for approximately 20-60 percent of the total

²² Armenia was reclassified as an Article 5 country after the approval of its GEF project and thus is not included in Table 2.

²³ Appraised ODS phase-out is the amount of ODS phase-out that each country's respective GEF project is expected to phase out.

1 ODS consumption phased out in the Country Program base years.²⁴ Remaining consumption is phased out
2 either through market forces, legislative measures, or the implementation of economic instruments by
3 agreement.

4 **Approval of Country Programs**

5 The Country Programs for Estonia, Kazakhstan, and Tajikistan were approved by their governments in May,
6 December, and September of 1999, respectively. The grant agreements for Estonia and Tajikistan's
7 corresponding GEF projects were subsequently signed in August and September of 2000. While
8 Kazakhstan's GEF project was approved in February 2000, implementation was delayed awaiting ratification
9 of the London Amendment (which Kazakhstan undertook in July 2001).

10 **Completion of GEF projects**

11 By 1999, four countries had completed their GEF projects (Czech Republic, Hungary, Slovakia, and
12 Slovenia). Since then, Belarus, Bulgaria, and Poland have also completed their GEF projects. In these seven
13 countries, complete or nearly complete (Czech Republic) compliance with the Montreal Protocol has been
14 accomplished.

15 Although their GEF projects have not been closed, Estonia, Latvia, Lithuania, Russia, Uzbekistan, and
16 Ukraine reported zero illegal consumption of Annex A and B substances as of 2003 or earlier.²⁵ While
17 Kazakhstan and Tajikistan reported residual consumption, their levels of consumption were within the
18 reduction benchmarks approved by the MOP. Even though Azerbaijan was identified by the 16th MOP as
19 potentially non-compliant, UNDP reported in its 2002 PIR that Azerbaijan had completed all of its GEF
20 subprojects. The 16th MOP noted that Azerbaijan would complete CFC phase-out by 1 January 2005 and
21 urged Azerbaijan to confirm its introduction of a ban on the import of CFCs, to support full phase-out.

22 **Import/Export Licensing Systems**

23 By 1999, all CEITs except Kazakhstan and Tajikistan had already established or were planning to establish
24 (Azerbaijan, Estonia, Turkmenistan, and Uzbekistan) import/export licensing systems in the near future. At
25 that time, Latvia had designed their systems to only cover imports, which did not meet the requirements of
26 the 1997 Montreal Adjustment to the Montreal Protocol. Even though not all countries have yet ratified this
27 Amendment, all CEITs have now set up import/export licensing systems with the exception of
28 Turkmenistan, whose system has been designed and is in the process of being approved by senior
29 government officials. Many CEITs have also adopted various policy measures and economic instruments
30 such as import quotas, import bans, use bans, and import taxes, duties, or fees to ensure compliance.

31 **Exhibit 3-27. Summary and Status of GEF Projects in CEITs (ODP MT and Millions US\$)**

Country	Base Year Consumption ^a	Appraised ODS Phaseout	Total Cost	Contrib by GEF	% of total	# of Sub- projects	Import/ Export Licensing System Est.	IA(s)
Azerbaijan	960.6 (1996)	307.4	\$9.1	\$6.9	75.5%	6	✓	UNDP/ UNEP
Belarus	1,005.8 (1994)	619.7	\$14.7	\$7.4	50.3%	8	✓	World Bank

²⁴ This estimate is approximate since the basis for assessing appraised phase-out may vary among subprojects.

²⁵ In some CEITs, residual consumption exists under essential use exemptions or in laboratory or analytical uses.

Country	Base Year Consumption ^a	Appraised ODS Phaseout	Total Cost	Contrib by GEF	% of total	# of Sub-projects	Import/Export Licensing System Est.	IA(s)
Bulgaria	1,360.0 (1992)	334.4	\$13.5	\$10.5	77.8%	15	✓	World Bank
Czech Republic	2,466.1 (1991)	390.0	\$4.1	\$2.3	55.4%	5	✓	World Bank
Estonia	58.87 (1998)	50.4	\$1.0	\$0.9	95.3%	3	✓	UNDP/ UNEP
Hungary	1,854.1 (1993)	1,156.4	\$8.4	\$6.9	82.2%	14	✓	World Bank
Kazakhstan	1305 (1998)	617.4	\$6.4	\$5.6	88.1%	5	✓	UNDP/ UNEP
Latvia	711.3 (1995)	223.6	\$2.1	\$1.5	69.0%	6	✓	UNDP/ UNEP
Lithuania	371.5 (1995)	387.0	\$8.2	\$4.6	56.4%	7	✓	UNDP/ UNEP
Poland	4,147.8 (1994)	1,054.0	\$20.2	\$6.2	30.8%	9	✓	World Bank
Russian Federation	48,662.6 (1992)	11,842.0	\$177.6	\$75.9	42.7%	23	✓	World Bank
Slovakia	832.2 (1991)	283.0	\$6.0	\$3.5	58.8%	2	✓	World Bank
Slovenia	1,205.9 (1992)	338.2	\$9.7	\$6.2	63.8%	7	✓	World Bank
Tajikistan	60.11 (1998)	24.11	\$1.2	\$1.0	83.5%	4	✓	UNDP/ UNEP
Turkmenistan	29.6 (1996)	14.1	\$0.5	\$0.5	95.8%	3	(✓)b	UNDP/ UNEP
Ukraine	2,460.5 (1994)	1,299.8	\$55.5	\$23.3	42.0%	12	✓	World Bank
Uzbekistan	272.2 (1996)	142.0	\$3.6	\$3.4	95.7%	4	✓	UNDP/ UNEP
Total	67,764.2	19,083.5	\$341.8	\$166.7	48.8%	133		

1

2 3.4.4 Other Issues and Strategic Trade-offs

3 There are few remaining issues in the ozone focal area to be addressed in large part because of (1) the clear
4 relationship between funded activities and ODS phaseout, (2) the maturity of the focal area, and (3) the
5 strength of the agreements made among Parties to the Montreal Protocol. The GEF has played a key role in
6 extending the success of ODS phaseout to the CEITs.

1 This section addresses those remaining issues that may affect the success of GEF interventions in the ozone
2 focal area, as well as issues that may have implications in terms of translating the success in the ozone focal
3 area to other focal areas. The issues identified by OPS3 are as follows: 1) the priority which should be placed
4 on the phaseout of HCFCs, 2) deployment of capacity in the ozone focal area to other chemicals
5 management agendas; (3) lessons learned for the development of data tracking and analysis systems; and (4)
6 identification of a clear results chain.

7 **HCFC Phaseout**

8 The MLF stipulates that countries that elected to switch to interim replacement HCFCs in various end use
9 sectors did so at their own risk because these chemicals had their own phaseout schedules under the protocol,
10 and funding would not be provided for a second round of replacements. Additionally, many of the obvious
11 replacements for these HCFCs in the Refrigeration and Air Conditioning, Foam Blowing, and other end use
12 sectors are the potent global warming gases called HFCs. HFCs have global warming potential (GWPs) many
13 thousand times higher than CO₂, and emissions from these sources are the largest growing source of CO₂-
14 equivalent emissions globally. Continuing dialogue must be monitored with respect to Convention guidance
15 on HCFC phaseout.

16 **Capacity Sharing**

17 OPS2 noted that the success of the GEF approach in the ozone focal area could be linked to its reliance on a
18 comprehensive country strategy which, in addition to phaseout, resulted in institutional strengthening
19 activities that enhanced country commitments. Based on discussions with IAs, OPS3 notes, however, that
20 because incremental operating costs are not covered in GEF funding, capacity in CEITs may be short-lived.
21 This may have implications for sustainability and/or the sharing of capacity across chemicals management
22 treaties (please see discussion of TOR 1C).

23 **Data Systems**

24 This analysis of the results of the ozone focal area in terms of reduced consumption of ODS was enabled by
25 the databases maintained by the Ozone Secretariat in Nairobi, Kenya. Part of the reason that the database
26 maintained by the Ozone Secretariat is so effective in reporting on results is that baselines were set by which
27 to measure progress. Further, the analysis of appraised ODS phaseout was accomplished by examining
28 individual project documents; the GEF maintains no central database of data on ODS phaseout.

29 **Clear Results Chain**

30 The success in identifying results in this focal area is also due in part to the strong and relatively
31 straightforward connections between project inputs and resulting outputs, outcomes, and impacts. For
32 example, investment projects brought under the GEF aim to phaseout ODS in the short-term, which leads
33 directly to a long-term global environmental impact of repairing the ozone layer, which in turn leads to
34 human health and environmental improvements. The cohesiveness of the results chain in the ozone focal
35 area is partially a result of the direct connection between ODS emissions and ozone depletion, but also
36 because of the extensive research to establish the links between the reduction of ODS emissions and health
37 and environmental impacts that have been undertaken in the science community, as well as agreements
38 entered into by the Parties to the Montreal Protocol that lay out how results will be measured and who will be
39 responsible for ensuring that results are sustained. Lessons regarding the establishment of an integrated
40 results chain, as well as setting of baselines, can be learned particularly for the POPs focal area or other
41 chemicals management agreements (please see discussion of TOR 1C).

2 3.5 Land Degradation

4 This section discusses whether projects developed under
6 the land degradation area reflect global priorities.
8 Because the United Nations Convention to Combat
10 Desertification (UNCCD) has been agreed upon by the
12 international community, the priorities outlined in the
14 Convention document are recognized as global
16 priorities. The overarching objective of the Convention
18 is to “combat desertification and mitigate the effects of
20 drought in countries experiencing serious drought
22 and/or desertification, particularly in Africa....”

24 3.5.1 Scientific and Historical Context

26 The GEF has been supporting its recipient countries in
28 addressing land degradation issues since its
30 establishment in 1991. However, until 2002 the GEF’s support focused on addressing land degradation
32 issues as they related to the original focal areas – biodiversity, climate change, international waters and ozone
33 depletion. [In October 2002, the GEF Assembly approved LD as a new focal area, meaning that a project
34 may tackle LD as its primary objective. In September 2003, the UNCCD designated the GEF as the official
35 financial mechanism. This designation makes sustainable land management a primary focus of GEF
36 assistance to achieve global environmental benefits within the context of sustainable development.

37 3.5.2 Portfolio Analysis

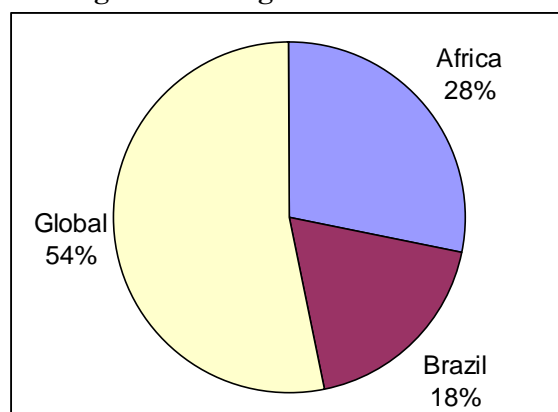
38 The GEF’s land degradation portfolio during GEF-3 totals \$72.2 million through March 2005. Of this
39 amount, about \$20.5 million, or 28 percent, has been approved for projects in Africa, \$13.3 million, or 18
40 percent, has been approved for two projects in Brazil, and \$38.5 million, or 54 percent, has been approved
41 for global projects. Of the \$38.5 million allocated for global projects, however, the majority (about \$29
42 million) was approved for a project supporting LDC and SIDS to develop a targeted portfolio approach for
43 capacity development and mainstreaming of sustainable land management. Therefore, because the majority
44 of LDCs are located in Africa, a good portion of the funding for global projects is destined for African
45 countries.

46 3.5.3 Current Evidence on Meeting Global Priorities

47 Meeting global priorities through GEF strategic documentation

48 The global priorities outlined by the UNCCD are addressed by the GEF in their Operational Program for
49 Land Degradation (OP15), the Land Degradation *Business Plan*, and project documents.

Exhibit 3-28. Regional Distribution of GEF Funding in Land Degradation



2 A comparison between the Convention priorities and those established in GEF documentation is outlined in

Exhibit 3-29. Comparison between UNCCD Priorities and Land Degradation Business Plan and OP15 Priorities

Convention Priorities	OP15 Priorities	LD Business Plan Priorities	
Combat Desertification and Sustainable Land Management			12
✓✓	✓✓	✓✓	14
Indigenous Involvement			16
✓✓	✓✓	✓	20
Creation of Enabling Environments			22
✓	✓	✓	24
Capacity Building			26
✓	✓	✓	28
Mainstreaming into National Priorities			30
✓	✓	●	32
Stakeholder Involvement			34
✓	●	✓	36
Technology Development and Coordinated Information Collection			38
✓	●	✓	40
Geographic Priority to Africa			42
✓	●	●	44
● = Not covered under scope of OP15 or Business Plan.; ✓ = Priority addressed by documents; ✓✓ = Priority emphasized by documents.			46
			48
			50

4 Exhibit 3-29. OPS3 concludes that the GEF has
6 addressed the global priorities established in the
8 UNCCD. Indeed, all of the global priorities
10 mentioned in the Convention are addressed in
12 GEF documents. In some ways, however,
14 priority actions under the land degradation focal
16 area have a more global or integrated
18 perspective than the priorities set forth by the
20 UNCCD, for instance:

- UNCCD has a priority for combating desertification in Africa, whereas the GEF Land Degradation focal area strives for geographic balance; and
- UNCCD focuses on combating desertification, but GEF projects tackle all causes of land degradation (unsustainable agricultural practices, overgrazing, deforestation and forest degradation etc.) including that which occurs in humid areas.

In summary, the majority of the global priorities set forth by the UNCCD coincide with those priorities discussed in OP15, the GEF business plan (GEF 2003a) and the documentation of GEF land degradation projects.

52 **Meeting global priorities through project approvals**

53 The *Progress Report on Implementation of the GEF Operational Program on Sustainable Land Management* (GEF 2004a)
54 summarizes the initial GEF actions under OP15 to implement programs to promote sustainable land
55 management. Thus far, actions have focused on capacity building, the creation of enabling environments,
56 and integration in order to enable countries to fulfill their obligations under the UNCCD. These first steps
57 include:

- A medium-sized project (Global Support to Facilitate the Early Development & Implementation of Land Degradation Programs & Project under the GEF Operational Program 15) has been created in order to introduce OP15 and possible GEF enabling activities to countries and to develop guidelines for preparation of activities in sustainable land management for wide distribution to countries and collaborating partners.
- A GEF umbrella project developed in order to help LDCs and SIDs fulfill their obligations under the UNCCD and to build their capacity for the implementation of sustainable land management activities.
- Three country pilot partnerships (CPPs) in Namibia, Cuba, and Central Asia have begun the process of implementation. These partnerships allow for integrated land and water management at the national level by providing a longer time frame than the typical 3-5 year project cycle, providing a predictable and sizeable commitment of resources, and allowing individual countries to design programs suitable to their unique needs, capacities, and levels of development.

Exhibit 3-30. China Partnership Program

In an effort to leverage innovative progress on its land degradation problems, China prepared a proposal for a GEF project through ADB. In 2002 the GEF approved the \$8.5 million “GEF Partnership on Land Degradation in Dryland Ecosystems: Project I-Capacity Building to Combat Land Degradation” under OP12. The overall goal of this project is to reduce land degradation and restore dryland ecosystems in the western region of the country by assisting the Government to establish an effective system of integrated natural resource management.

In order to have the desired impact, this project involves the Ministries of Forestry, Water Resources and Agriculture and also includes more than ten different agencies/departments from within the provinces. This has been a new way of working in the land degradation arena, and the new thought processes developed through the project have been one of its key outputs. The project is also working on developing the necessary regulatory and legal framework for an integrated approach to land degradation.

OPS3 found that this project has achieved notable success in getting Chinese agencies to work together, cooperation without which this complex land degradation problem could not be solved. The project has also been commended for leveraging of outside resources, including follow-on ADB funding, and for positively impacting the planning at the provincial level. Furthermore, the recent OP12 Study considered this partnership project to be promising because it has included substantial front-end capacity building and institutional strengthening and because it is developing the baselines and indicators needed to measure its impacts.

1

2 An assessment of the Scope and Coherence of the Land Degradation Activities in the GEF determined that
3 the land degradation portfolio coherently meets the objectives of the operational program and the strategic
4 priorities established for the focal area and that within the portfolio there is a good balance between project
5 approaches, diverse land use systems and geographic coverage. Land degradation continues to be addressed
6 in the other focal areas of the GEF, and there is a steep increase in the number of projects addressing land
7 degradation as a cross-cutting issue. Within OP15, the response to developing projects has been unexpected
8 and overwhelming²⁶. Resource supply is not able to meet the demand.

9 **Meeting global priorities through achieving project objectives**

10 Although to date no land degradation projects have been completed and therefore there are few, if any results
11 from land degradation projects to review, throughout stakeholder consultations, OPS3 found that land
12 degradation (either desertification or deforestation) is a significant national priority in recipient countries and
13 that the efforts made towards alleviating land degradation thus far through projects in other focal areas have
14 been in line with global priorities as defined by the UNCCD, as well as the UNFCCC, and the CBD.²⁷ This
15 finding is corroborated by the *Status of Land Degradation as a Cross-Cutting Issue Under GEF-3* report.

16 Furthermore, the guidelines for GEF eligible activities in sustainable land management, which were
17 completed in May 2004, in conjunction with the land degradation strategic priorities²⁸, which were developed
18 concurrent with the inception of OP15, can be expected to ensure that the land degradation projects in the
19 GEF portfolio and pipeline will be closely linked to the global priorities for land degradation.

²⁶ Scope and Coherence of the Land Degradation Activities in the GEF, 2004.

²⁷ The 2004 document entitled Status of Land Degradation as a Cross Cutting Issue Under GEF-3 identified 158 projects in the GEF-3 portfolio in the biodiversity, international waters, climate change and POPs focal areas as well as the Multi-Focal Area Program “Integrated Ecosystem Management” that have linkages to land degradation.

²⁸ (1) Capacity building and (2) Implementation of innovative and indigenous sustainable land management practices

1 **3.5.4 Other Issues and Strategic Trade-offs**

2 To stay in accord with global priorities, the GEF Land Degradation Program must continue to strike a
3 balance among land degradation strategic priorities, “traditional” project approach modalities and piloting of
4 innovative cross-cutting sector and programmatic approaches and land use systems (agriculture, rangeland
5 and livestock and forestry). However, the two major challenges facing the Land Degradation operational
6 program are:

- 7 • The need to support the steadily growing demand for GEF support under this new focal area, with
8 limited available resources.
- 9 • The lack of baseline land degradation data which to measure the results of GEF land degradation
10 projects in terms of actual environmental improvement over time.

11 **3.5.5 Recommendations**

12 Recommendations can be addressed as falling into the categories of synergies, prioritization, and
13 measurement of results as follows.

14 **Synergies**

15 As the GEF moves forward in its programming for GEF-4, there should be a clear evolution to identifying
16 synergies among the focal areas and to programming in the broader context of integrated natural resource
17 management. With integration, GEF will better link its incremental role as steward of the global environment
18 with the growing international call for sustainable development²⁹.

19 **Prioritization**

20 A robust pipeline of GEF land degradation projects is under development. In order to optimize the returns
21 in terms of global benefits a system for prioritization for GEF funding under OP15 should be established.
22 Furthermore, clearer definitions of activities beyond capacity building, which are those on “implementation
23 of innovative and indigenous sustainable land management practices” will be necessary to distinguish GEF
24 from national activities and global from local benefits.

25 **Measurement of results**

26 The GEF Secretariat should develop a set of output and outcome indicators, with a focus on the global and
27 incremental benefits at the project level, national level and global level. These indicators should be developed
28 such that they help to prioritize funding of the scarce resources. Conversely, once more definition is given to
29 the GEF priorities within the land degradation focal area, and the priorities begin to influence the projects in
30 implementation, there will be greater clarity as to the sphere of influence of OP15 projects and it will become
31 easier to assess the results attributable to these GEF funds.

32 **3.6 POPs**

33 This section discusses whether projects developed under the Persistent Organic Pollutants (POPs) focal area
34 reflect global priorities. Because the Stockholm Convention on Persistent Organic Pollutants has been agreed
35 upon by the international community, the priorities outlined in the Convention document are recognized as

²⁹ Scope and Coherence of the Land Degradation Activities in the GEF 2004

1 global priorities. The Convention addresses several priorities for action to eliminate POPs in an effort to
2 protect human health and the environment.

3 That said, it should be noted that, at the time of this writing, the GEF has not received any official guidance
4 from the Convention since the first COP will not take place until May 2005. However, there has been on-
5 going dialogue leading to diplomatic resolutions (including INC-7 deliberations) that endorse GEF priorities
6 and, for example, support the GEF's continuing emphasis on NIPs.

7 **3.6.1 Scientific and Historical Context**

8 POPs continue to pose a threat to human health and the environment and both the international scientific
9 and governance communities have acknowledged this area as one of concern (Source). Currently, 12 POPs
10 chemicals are addressed by the Stockholm Convention including PCBs, DDT, other pesticides and industrial
11 chemicals, as well as dioxins and furans that are generated inadvertently through the combustion of certain
12 wastes (including plastics), and through industrial processes like paper production and aluminum processing.
13 As their name implies POPs are persistent in the environment, bioaccumulate in fatty tissue, concentrate up
14 the food chain, migrate to colder climates through sequential evaporation and condensation (i.e., long-range
15 transport). Some of the highest concentrations of these chemicals are found in otherwise pristine
16 environments near the Arctic Circle, and in apex predators including humans, killer whales, polar bears, and
17 eagles. These chemicals pose reproductive and developmental hazards to affected species, as well as cancer
18 and immune suppression risks [\[cite source\]](#).

19 Recognizing these concerns, the GEF began funding projects related to persistent toxic substances in
20 transboundary waters as part of the International Waters focal area as early as 1998, but it was not until May
21 2001 that the GEF started funding POPs projects in their own right after being appointed as the interim
22 financial mechanism for the Stockholm Convention.

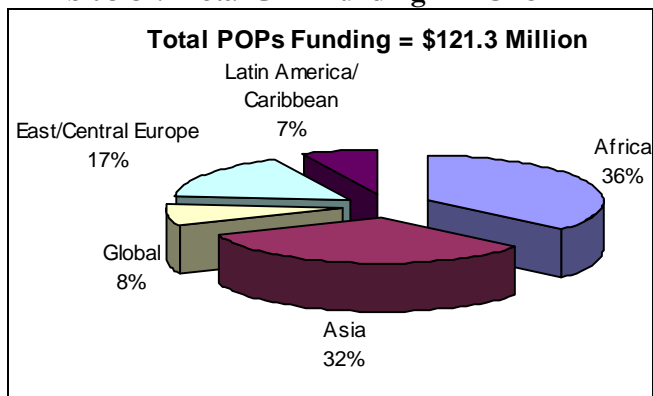
23 Under the new POPs focal area, approved in October 2002, the GEF aims to help countries develop and
24 implement activities related to POPs. The GEF's overall strategy is to reduce and/or eliminate releases of
25 POPs to the environment through capacity building, targeted research, and implementation of projects on the
26 ground. Based on dialogue with the Stockholm Convention, the GEF has adopted the National
27 Implementation Plan (NIP) approach as the basis for determining POPs funding priorities.³⁰

28 **3.6.2 Portfolio Analysis**

29 GEF's Persistent Organic Pollutants (POPs) portfolio funding totals \$121.3 million since POPs became a
30 focal area in 2002. GEF-3 allocations to date are included in **Error! Reference source not found.**; the
31 phase, however, continues through 2006.

³⁰ The framework for NIPs is a five-step process: (1) determination of coordinating mechanisms and organization of the process; (2) establishment of a POPs inventory and an assessment of national infrastructure and capacity; (3) setting of priorities and determination of objectives; (4) formulation of a National Implementation Plan and specific Action Plans; and (5) endorsement of the National Implementation Plan by stakeholders.

1 **Exhibit 3-31. Total GEF Funding in POPs**



2
3 Excluding multi-country projects (which accounted for \$35.2 million), GEF has funded 111 POPs projects in
4 108 countries since 1991, totaling over \$86.1 million. The top 3 recipients (China, the Slovak Republic, and
5 the Philippines) are also the only countries to have received multiple projects, and represent 46 percent of
6 POPs funding to individual countries.

7 **3.6.3 Evidence from OPS3 Process**

8 The GEF has made good progress towards designing an intervention approach that addresses global
9 priorities. Evidence for this comes from both the desk and field studies performed for OPS3. This evidence
10 is seen at the level of GEF strategy, and through information regarding the project design, approval, and
11 implementation processes.

13 **Exhibit 3-32. Comparison between Stockholm
14 Convention Priorities and POPs Business Plan
15 and OP14 Priorities**

Convention Priorities	OP14 and POPs <i>Business Plan</i> (GEF 2003b) Priorities	
Protect Human Health and the Environment		21
✓	✓	23
Impose Production Limits		25
✓✓	✓	27
Develop Reduction Strategies		29
✓	✓✓	31
Monitor Releases		33
✓	✓	35
Develop and Implement Action/Implementation Plans		37
✓	✓✓	39
Identify new POPs		41
✓	●	43
Raise Awareness		45
✓✓	✓✓	47
Achieve Multi-Focal Area Benefits		49
●	✓✓	51

● = Not covered under scope of Convention, OP14, or Business Plan; ✓ = Priority addressed by documents; ✓✓ = Priority emphasized by documents.

Meeting global priorities through GEF strategy

The global priorities outlined by the Stockholm Convention are addressed by the GEF in their draft Operational Program for Persistent Organic Pollutants (OP14), the POPs *Business Plan* (2003), and project documents.³¹ A representation of the level of focus for Convention priorities as compared to those established in GEF documentation is presented in Exhibit 3-31. Based on a review of priorities and the associated GEF strategies, OPS3 concludes that the GEF has addressed the global priorities established in the Stockholm Convention. Indeed, all of the global priorities mentioned in the Convention are addressed in the GEF strategy, with the exception of the potential need to identify and regulate the production of new chemicals with POPs characteristics. This priority has been investigated

³¹ It should be noted, however, that the Stockholm Convention entered into force after the Strategic Business Plan and the Operational Program Document were drafted, and as such the priorities addressed in these GEF documents were derived directly from the Convention text, and not from specific guidance regarding the financial mechanism.

1 to some degree through UNEP's GEF-funded *Regionally Based Assessment of Persistent Toxic Substances: Global*
2 *Report* (2003), but next steps and Guidance to the GEF may need to be further articulated.

3 While GEF priorities and strategies address the global priorities established in the Stockholm Convention,
4 some differences between the Convention and the way that GEF programs are intended to implement the
5 phase-out of POPs are noted. Specifically, compared to the Convention, GEF strategic documents:

- 6 • Place a greater emphasis on the institutional steps, such as capacity building and institutional
7 strengthening, that must be taken before a reduction in POPs can be successfully enforced.
- 8 • Stress the need for innovative and cost-effective technologies for the disposal of POPs.
- 9 • Emphasize the integration of POPs management practices that will benefit other focal areas, such as
10 integrated pest management and non-combustion destruction technologies. Such a synergistic priority is
11 not introduced by the Convention and is, in essence, a refinement of global priorities.

12 This last issue—consideration of synergies across focal areas and other international conventions—is an
13 important one for the GEF, since it can result in cost-efficiencies and allow for additional global
14 environmental benefits to be realized. For example, improvements of incineration practices undertaken for a
15 GEF climate change project can reduce POPs emissions, or the elimination of PCB releases in a POPs
16 project can have benefits for biodiversity by improving species' reproductive health.

17 With respect to “institutional synergies,” within UNEP, in its role as Secretariat for the Vienna Convention
18 and its Montreal Protocol and Secretariat for the Stockholm Convention, there are beginnings of dialogue on
19 how to effectively utilize capacity and other institutional structures for chemicals management in general.

20 **Meeting global priorities through project approvals**

21 The initial focus of the GEF has been to assist developing countries to prepare their NIPs in response to the
22 Stockholm Convention. As of January 2005, 119 proposals for enabling activities for the development of
23 NIPs had been approved. Five medium-size and five full-size projects have also been approved; however, of
24 these 10 projects, 4 are directed at supporting the NIP process. To date, these GEF projects have focused on
25 certain aspects of the global priorities addressed under the Stockholm Convention, including:

- 26 • Assessing the enforcement capacity and adequacy of laws to meet the Convention.
- 27 • Preparing an inventory for the sources and emission of POPs.
- 28 • Identifying technologies for the elimination of POPs.
- 29 • Exchanging information between countries and stakeholders and providing POPs education in regional
30 and national workshops.
- 31 • Formulation of National Implementation Plans.

32 Given that the large majority of projects approved thus far have been for NIPs, and hence are at the initial
33 level of strategy development and implementation, OPS3 finds the focus on selected priorities under the
34 Stockholm Convention appropriate. It is anticipated that other priorities identified under the Stockholm
35 Convention will be addressed in future POPs projects, as the strategy matures.

36 **Meeting global priorities through achieving project objectives**

37 Because no terminal evaluations have been completed for projects under the POPs focal area, it is difficult to
38 determine whether global priorities have been met through achieving project objectives. Stakeholder

1 consultations have indicated, however, that OP14 does address global priorities under the Stockholm
2 Convention, and that the NIPs process has helped develop capacity.

3 Examples of successful NIPs were shared with the OPS3 Team. In particular, in the Czech Republic, project
4 proponents have been able to bilaterally share the technical capacity they developed under their NIP with
5 neighboring countries to assist them in developing their own POPs inventory. Additionally, proposals for
6 follow-on activities as identified under the NIP process have been prepared. For example, the Republic of
7 Moldova has developed a project with the World Bank that is currently in the pipeline as a PDF-B that is
8 based on activities developed in the NIP.

Exhibit 3-33. Eliminating POPs in Moldova

Since 1991 Moldova has experienced a deterioration of the populations' health that has, in part, been linked to environmental pollution. One of Moldova's strategic objectives is to preserve and improve the quality of the environment as a factor for ensuring public health. In particular, the burden of morbidity in Moldova from the acute and chronic effects of exposure to POPs is reported to be significant. Although Moldova has never produced any POPs materials, it has extensively used such materials in different economic sectors, primarily agriculture and energy.

In 2002, the now named Ministry of Ecology and Natural Resources requested World Bank assistance in addressing POPs issues and received a two year grant from the GEF to implement the POPs Enabling Activity which has assisted Moldova in: (i) strengthening its capacity to effectively protect human health and the environment from POPs; (ii) developing a POPs National Implementation Plan (NIP); and (iii) complying with its obligations under the Stockholm Convention on POPs. The POPs EA Project was completed in July of 2004, and the identification of the POPs Stockpiles Management Project that is currently in the GEF pipeline was based on its results.

The "Sustainable POPs Stockpiles Management" project is expected to start in January of 2006 and have a duration of three years. This \$4.8 million project would be the first "NIP implementation" project funded by the GEF. The project would build on on-going baseline activities in Moldova to implement the priority interventions identified in the NIP. The project is intended to assist the Government of Moldova in confining stockpiles of pesticides and PCBs in such a way that harm to the environment or human health is prevented, as well as strengthening institutional capacity in Moldova to address POPs-related issues and raising awareness at various levels of society.

9
10 However, some stakeholders expressed concern about the quality and consistency of the NIPs in all
11 countries, noting that the quality of technical assistance among IAs and EAs varies widely in this area. Also,
12 demonstration projects have begun under OP14 without clear instruction from the Convention on how to
13 calculate incremental costs. As a result, difficulties have been encountered in terms of identifying and
14 calculating incrementality for these projects; some country governments have argued that, because the
15 removal of POPs invariably leads to global environmental benefits, project costs should be covered almost
16 completely by the GEF. Some guidance within OP-14 addresses incrementality as applying to certain types
17 of activities including, "...additional cost to alter or replace chemical products, technologies, and/or
18 management practices related to pest and vector management, industrial chemicals, or unwanted by-products,
19 to achieve global environment benefits." Further guidance suggests that, "To a large extent, the increment of
20 GEF funding for POPs reduction and elimination activities will be based operationally on cost sharing."

21 3.6.4 Other Issues and Strategic Tradeoffs

22 Challenges that the GEF will face in the near-term relate to responsiveness to the Convention, baseline
23 development and measurement of progress (i.e., results), and developing synergies across focal areas. These
24 issues are addressed below:

25 Responsiveness

26 Through OP14 and the POPs Business Plan, the GEF has positioned itself to address global priorities of the
27 Stockholm Convention, and is in fact responding to those priorities through its POPS strategy. It is essential,

1 however, that the GEF continue to monitor responsiveness and, in particular, to react to guidance from the
2 first COP, which will be held in May 2005 in Punta del Este, Uruguay. Based on such guidance, the GEF
3 should remain open to the possibility of amending OP14; a concept that is well documented in discussions
4 between the GEF and the Stockholm Convention Secretariat.

5 **Determining baselines and a clear results chain**

6 Although GEF activities in the POPs focal area are just beginning, one thematic issue may underpin future
7 progress: inadequate indicators for global environmental benefits. Specifically, baseline POPs concentrations
8 in environmental media and human tissue generally are not available by which to measure results in terms of
9 actual environmental improvement over time. While quantitative factors such as the number of POPs
10 inventories developed, policy frameworks established, or the amount of POPs stockpiles contained or
11 eliminated can be measured, these may not be good indicators of reductions in environmental POPs loading
12 in human populations or in environmental media. Unless more light can be shed on the connection between
13 project inputs and resulting outputs, outcomes, and impacts through development of such baseline data, it
14 may be difficult to raise the public/political profile of POPs issues globally. OPS3 identified one step that
15 has already been taken in this regard., and that is a STAP workshop on bio-indicators which raised awareness
16 on cost effective strategies for monitoring POPs concentrations.

17 **Synergies**

18 Already, GEF projects have emphasized the integration of POPs management practices with other focal
19 areas; however, much opportunity still exists for incorporating cross-focal area synergies into project design
20 and implementation. Similarly, institutional synergies exist between the Stockholm Convention and other
21 conventions dealing with the movement and management of chemicals and chemical wastes. In particular, as
22 POPs projects ramp up, there is a potential opportunity to maximize existing infrastructure and expertise
23 developed under other global and regional chemicals conventions, as well as that developed in the broader
24 context of integrated chemicals management at the country level.

25 **3.6.5 Recommendations**

26 Recommendations in the POPs focal area are provided below with an identification of activities for relevant
27 stakeholders, where appropriate.

28 **Responsiveness/dialogue with the Convention**

29 To ensure that the GEF remains responsive to the Stockholm Convention, regular dialogue between the
30 GEF Secretariat and the Convention COP should be maintained to:

- 31 • Monitor the observed differences between the Convention and the way that GEF programs intend to
32 implement the phase-out of POPs. In particular, the GEFSEC should initiate a dialogue with the
33 Convention on how or whether additional chemicals with POPs characteristics should be addressed, as
34 called for under the Convention.
- 35 • Ensure that the GEFSEC work with the Convention to identify which Stockholm Convention priorities
36 are to be addressed in future GEF projects. OPS3 finds it appropriate that projects approved to date
37 have not addressed all Stockholm Convention priorities because the large majority of projects approved
38 thus far have been for NIPs. However, continued dialogue between the COP and the GEFSEC can
39 ensure that unaddressed priorities be incorporated in future projects, as appropriate.
- 40 • Address clarification issues, such as providing guidance on how to calculate incremental costs associated
41 with POPs activities.

1 **Determining baselines and a clear results chain**

2 Baseline POPs concentration in the environment and in human populations are potentially a key element in
3 the unequivocal measurement of global environmental benefits. Through involvement of the scientific
4 community in discussions about how to cost-effectively develop this information, the GEFSEC and IAs can
5 help to move this dialogue forward. To foster knowledge sharing, the GEFSEC and IAs should stay up-to-
6 date on the emerging science related to indicators of reductions in environmental POPs loading in human
7 populations and environmental media. Incorporating this science into its projects would eventually allow the
8 GEF to more clearly demonstrate the outcomes and impacts of POPs projects. The role of STAP in moving
9 this dialogue forward and leveraging input from the broader scientific community in a timely fashion should
10 be investigated.

11 **Synergies**

12 The GEF IAs should continue to explore whether reducing duplicative or competing initiatives for chemicals
13 management in the development of policy frameworks, training, and information gathering across
14 conventions is possible. In addition, to avoid wasting capacity and expertise developed under other
15 conventions, the GEFSEC and IAs should seek dialogue with the conventions on how to leverage
16 infrastructure and capacity in chemicals management from within other global chemicals management
17 protocols (e.g., Rotterdam, Basel, Vienna Conventions), as well as through regional initiatives. Similarly, to
18 promote cross-focal area synergies between POPs and other focal areas, IAs should pursue opportunities to
19 incorporate POPs projects under OP12. For example, Energy Efficiency projects under the Climate Change
20 portfolio may have synergies and opportunities for cost sharing with POPs projects relating to dioxin/furan
21 reduction.

22 **3.7 Responsiveness of the GEF to Conventions (TOR 4C)**

23 The OPs of each GEF focal area are aligned with the international convention to which it serves as a financial
24 mechanism. Typically, the Conference of the Parties (COP) to each Convention has nominated the GEF as
25 the institutional structure to operate the financial mechanism under the Convention (the one exception is the
26 International Waters focal area). The GEF, in operating the financial mechanism under the Convention,
27 agrees to finance activities that conform to the guidance provided to it by the COP.

28 In all focal areas, other than International Waters, when a COP reaches a new decision concerning the GEF,
29 the members of the respective GEF Task Force develop proposals to the GEF Council on how to interpret
30 and implement the new guidance. At each GEF Council meeting, the GEF Secretariat presents a document
31 entitled “Relations with Conventions,” in which new COP (and other Convention) guidance, interpretation,
32 and overall implementation strategies are presented for discussion and recommendation. Once the GEF
33 Council agrees on the final interpretation of the COP guidance, the GEF Secretariat, in partnership with the
34 IAs, develops ways to operationalize the guidance. The IAs and EAs then work with countries to implement
35 the GEF Council-approved guidance in accordance with GEF principles and procedures. This standard
36 process to responding to Convention objectives has proved to be generally effective across the focal areas.

37 This review of the responsiveness of each of the GEF focal areas to the objectives of the convention it
38 serves, utilized the reviews of the effectiveness of the GEF produced by the Conventions, the documents
39 produced by the GEF Secretariat as a part of the aforementioned response process, and input from
40 stakeholder consultations. Responsiveness of the GEF to Conventions is discussed here for the biodiversity,
41 climate change, and ozone focal areas; responsiveness is addressed in Sections 3.5 and 3.6 for land
42 degradation and POPs focal areas, respectively.

1 **3.7.1 Biodiversity (CBD)**

2 The GEF's objectives in biological diversity derive from the broad objectives of the CBD: "the conservation
3 of biological diversity, the sustainable use of its components and the fair and equitable sharing of benefits
4 arising out of the utilization of genetic resources, including by appropriate access to genetic resources... (CBD
5 Article 1)." To respond to these objectives, the GEF has developed an Operational Strategy in biodiversity,
6 as well as Operational Programs and, more recently, Strategic Priorities. The alignment of these programs
7 and priorities are addressed below.

8 In general, OPS3 finds, as did OPS2, the Second CBD Review of the GEF [reference], and the BPS2004, that
9 the GEF has been generally responsive to COP guidance. As of March 2005, the GEF has provided funding
10 for 300 enabling activities in the biodiversity focal area with a total allocation of \$122.6 million. In particular,
11 as the BPS2004 points out, the GEF has been particularly responsive to guidance on forest ecosystems and
12 capacity building in biosafety.

13 The GEF faces challenges, however, in addressing COP guidance. The BPS2004 found that the GEF
14 remains fully responsive in the areas of "implementing effective incentive measures, implementing national
15 plans and strategies, developing indicators, developing and applying baselines to monitor changes in the status
16 of biodiversity over time, and establishing mechanisms for promoting the sustainability of project outcomes."
17 OPS3 also finds that the GEF has not adequately addressed the Convention priority on access and benefit
18 sharing.

19 With respect to the more general challenges that the GEF must address, as OPS2 pointed out, initial guidance
20 provided to the GEF was "so broad and general that it was difficult to respond to it in operational terms."
21 The BPS2004 found, however, that subsequent guidance has become more focused and detailed; in particular,
22 "More recent guidance from the COP addresses objectives to be pursued and provides details on the
23 activities to be undertaken." As a result, the BPS2004 found and OPS3 concurs, the GEF response to COP
24 guidance has become more targeted. That said, the general lack of prioritization of guidance from the COP
25 remains a challenge, according to BPS2004. The BPS2004 also identified two additional challenges: "forging
26 a participatory approach among relevant parties to enable an agreement on the clarification and prioritization
27 of COP guidance" and "the apparent expectation that all COP guidance will be supported by the GEF, at the
28 same level and in perpetuity." To address these challenges, the BPS2004 concluded that "there is a need for
29 more concerted efforts to improve the dissemination of information on how the GEF responds to guidance.
30 The GEF-sponsored Country Dialogue Workshops could provide a good venue to clarify GEF processes
31 and strengthen the outreach process." OPS3 supports this recommendation, noting that the revised National
32 Dialogue Initiative, which replaces the CDW, also provides for follow-up, which may present an opportunity
33 for the GEF entities to assess whether guidance has been incorporated at the country level

34 The responsiveness of the GEF to specific pieces of COP guidance is addressed in the next section.

35 **Current Evidence**

36 Exhibit 3-34 presents the topics on which guidance was issued to the GEF at COP7 in February 2004, and
37 indicates, for each area of guidance, whether OPS3 provides an assessment of responsiveness. If OPS3 does
38 provide an assessment, the location of that review is given. For two of the guidance areas that were
39 highlighted during OPS3 field study, national reporting and biosafety issues, OPS3 addresses the GEF's
40 responsiveness to guidance issued by the COPs, and particularly COP-7, in more detail in the text below.
41 Additionally, four of the guidance areas are discussed in Section 3.1.3. In Exhibit 3-35, OPS3 presents
42 updates to the BPS2004 for one guidance areas; however, for the remaining areas of guidance, OPS3 defers
43 to the findings of the BPS2004 on the responsiveness of the GEF to guidance from COP1 through COP6, as
44 presented in Exhibit 3-35. No prioritization was provided from the CBD among these decisions.

1 Also, the recommendations made by the Second CBD Review of the GEF were in line with those made by
 2 the Third Replenishment and OPS2; for OPS3's analysis of progress made on these recommendations, please
 3 see Annex E. In general, OPS3 concludes that these recommendations have been addressed and
 4 incorporated by the GEF, although to varying degrees.

5 **Exhibit 3-34. COP-7 Guidance Topics and Location of OPS3 Assessment of Responsiveness**

COP7 Guidance Area	OPS3 Assessment of Responsiveness to COP-7?
Access and benefit sharing as they relate to genetic resources	✓ (Section 3.1.3)
Access to and transfer of technology	●
Ecosystem approach	✓ (Exhibit 3-35)
Cartagena Protocol	✓ (Text below).
Education and public awareness	●
Global Taxonomy Initiative	●
Identification, Monitoring, and Assessment, and Indicators	✓ (Section 3.1.3)
Invasive alien species	●
Marine and coastal biological diversity	●
National planning and implementation	●
National Reports	✓ (Text below).
MDG	●
Biological Diversity and Climate Change	provide discussion
Sustainable Use	✓ (Section 3.1.3)
Protected Areas	✓ (Section 3.1.3)

6 Note: ● indicates that OPS3 defers to the findings of the BPS2004; ✓ indicates that OPS3 addresses the responsiveness
 7 of the GEF to COP-7 guidance.

8
 9 In terms of a general response to COP-7, the GEF Secretariat, in the document *Institutional Relations*
 10 submitted to Council in November 2004, argued that most of the guidance could be incorporated through
 11 the GEF's various operational tools (including "full and medium-sized projects, enabling activities, the Small
 12 Grant Programme, the strategic approach of capacity building, including national capacity self assessments,
 13 and country relations activities"). The Secretariat also noted that the GEF and its IAs would "continue to
 14 support country driven activities to address these issues and will fine-tune and further emphasize project
 15 activities so as to encompass the guidance."

16 **Exhibit 3-35. BPS2004 and OPS3 Findings on the Responsiveness of the GEF to the CBD (COP1- 17 COP6)**

COP Topic of Guidance	Responsiveness	Comments
Access to and transfer of technology	✓	BPS2004 found that Action Plan addresses this guidance through the development of a strategy to better engage the private sector.
Agricultural biological diversity	✓	BPS2004 found that the new OP on agribiodiversity was in response to this guidance. OPS3 finds that as of March 2005, 11 projects have been approved in OP13 for US\$45.6 million.
Article 8(j) and related provisions	✓	BPS2004 found that SGP has funded over 100 projects with indigenous peoples.
Clearinghouse mechanism and scientific and technical co-operation	●	BPS2004 found that while the GEF approved a project for a regional clearing house in 2004, there is no indication whether the mechanism is becoming more effective and sustainable.
Dry and sub-humid lands biological diversity	✓	BPS2004 found that funding in this OP increased by more than four times from the pilot phase to the end of GEF-1. OPS3 finds that by March 2005, the GEF had approved a total of \$X million in this area.
Ecosystem approach	✓	BPS2004 found that a new OP on Integrated Ecosystem Management was approved. OPS3 finds that by March 2005, the GEF had approved 39 projects for a total value of US\$136.9 million.

Education and public awareness	✓	BPS2004 found that almost all GEF projects have education and public awareness as essential components.
Endemic species	●	BPS2004 did not identify any action or strategy in this area.
Forest biological diversity	✓	OPS3 finds that as of March 2005, 143 projects have been approved in the forest OP for US\$668.9 million.
Global strategy for plant conservation	●	BPS2004 did not identify any action or strategy in this area.
Global Taxonomy Initiative	✓	BPS2004 identified a number of projects that have supported this objective.
Incentive measures	●	BPS2004 found that several projects were approved following COP6 with incentive measure components, but that it is not clear whether these measures will be more effective or easier to implement than before the Second CBD Review.
Inland water ecosystems	✓	BPS2004 found that as of 2002, 40% of projects in OP2 and almost 50% in OP12 addressed this area.
Invasive alien species	✓	The Second CBD Review found that the GEF had allocated \$34.5 million to seven projects by 1999 for this area.
Marine and coastal biological diversity	✓	BPS2004 found that an approach providing guidance to IAs to stimulate projects on coral conservation and management and biodiversity were developed.
Mountain ecosystems	✓	OPS3 finds that as of March 2005, 33 projects have been approved in the mountain OP for US\$152.9 million.
National planning and implementation	●	BPS2004 found that only five projects to support NBSAPs were approved between COP6 and COP7, and that there have been substantial delays in the preparation of these reports
Targeted research and related activities	✓	BPS2004 found that several GEF projects have incorporated research components.
Millennium Development Goals	●	BPS2004 did not identify any action or strategy in this area.

1 Note: ● indicates that the GEF **has not** been adequately responsive; ✓ indicates that the GEF **has** been adequately
2 responsive.

3 National Reporting

4 OPS2 concluded that the GEF has followed “guidance from the biodiversity convention to implement
5 support for enabling activities that assist countries in developing their biodiversity country studies, national
6 reports, and national biodiversity strategies and action plans (NBSAPs).” OPS2 found, however, that “there
7 should be support for countries to mainstream the national reports/action plans to the conventions.”

8 COP-6 decided that the GEF “shall provide financial resources... [i]n a timely manner, to eligible Parties for
9 the preparation of national reports.”

10 COP-7 requested that the GEF “to explore ways to expedite and simplify its procedures for allocating funds
11 to eligible countries to prepare their national report to fulfill their reporting obligations under the
12 Convention.” At the November 2004 Council meeting, the GEF Secretariat noted that the format for the
13 third national report is different from that of the second report. In this report, countries are requested to
14 provide factual data based on indicators and other substantive information, instead of the process focused
15 approach used by the second report. Also, countries are requested to provide targeted data to assess the
16 progress towards achievement of the CBD 2010 target. Countries are also requested to elaborate on how
17 they are implementing specific articles and related COP decisions; what are the outcomes/impacts of actions
18 taken; and what contributions the action taken is making towards the achievement of the goals of the
19 Strategic Plan of the Convention. Three countries so far have requested GEF support to assist in the
20 preparation of their third national reports (GEF/C.24/7).

1 Although the GEF has been responsive to the CBD by assisting countries in preparing their national reports;
2 however, as OPS2 also noted in 2002, stakeholders have reported to OPS3 that the reports to the CBD are
3 somewhat isolated in some countries, and thus are neither mainstreamed nor influential. In this way, the
4 GEF has not been entirely responsive to Article 6B of the Convention, which has as an objective to
5 “integrate, as far as possible and as appropriate, the conservation and sustainable use of biological diversity
6 into relevant sectorial or cross-sectoral plans, programmes and policies.” That said, some countries are
7 working hard to mainstream biodiversity. Mainstreaming of biodiversity is discussed at more length in Section
8 3.1.3.

9 **Biosafety Issues**

10 At COP-6, the GEF was requested to provide financial resources “for national capacity-building in biosafety,
11 in particular for enabling effective participation in the Biosafety Clearing-House and in the implementation of
12 the Action Plan for Building Capacities for the Effective Implementation of the Cartagena Protocol on
13 Biosafety proposed by the Intergovernmental Committee on Cartagena Protocol at its second meeting, and
14 for other needs identified in the recommendations of the Intergovernmental Committee at its second meeting
15 for assisting developing countries to prepare for the entry into force of the Protocol.”

16 In response to this guidance, in November 2003, UNEP proposed an additional project aimed at building
17 capacity for the effective participation of Parties in the BCH as an add-on project to the current UNEP-GEF
18 NBF project; the project proposed to assist 50 countries that had ratified or acceded to the Cartagena
19 Protocol by the time of the first Conference of the Parties serving as the meeting of the Parties to the
20 Protocol (COP/MOP), and that were not already beneficiaries of similar assistance through a GEF project to
21 participate in the BCH. However, the GEF Council did not approve this project. [next draft will explain] At
22 the same meeting, the Council approved a further request for additional funds for 20 countries to prepare
23 their NBFs.

24 Additionally, in May 2003, the GEF Council approved capacity building for implementation of the Cartagena
25 Protocol as a Strategic Priority (SP) of the GEF Biodiversity Program. In the November 2003 FY05-07
26 Business Plan, resources for this SP were substantially increased. While US\$5 million was spent in FY03, the
27 GEF Council provisionally approved US\$75 million for the SP over FY04-06. US\$35 million was also
28 provisionally approved for FY07.

29 At COP-7, eligibility criteria for funding by the GEF were determined, and the COP called for support from
30 the GEF on capacity building activities and an extension of its existing support for demonstration projects on
31 the implementation of NBFs.

32 At its November 2004 meeting, two more projects were proposed by UNEP, though neither was approved
33 by the GEF Council [next draft will explain]. One aimed to help 89 additional countries build and strengthen
34 their national capacity to access and use the BCH, while the other proposed to assist the last 10 eligible
35 countries to prepare their NBFs in preparation for the entry into force of the Cartagena Protocol, which
36 would bring the total number of countries financed to 130.

37 Additionally, the GEF Secretariat reported at the November 2004 meeting that: “[l]essons learned during the
38 demonstration phase and the national biosafety framework development project will be incorporated into
39 project development. The Secretariat is planning to undertake an assessment of the effectiveness and
40 efficiency of various approaches that have previously been adopted to provide additional support to backstop
41 the delivery of enabling activities in biosafety and other areas of GEF’s work, such as climate change and land
42 degradation, including umbrella projects and technical support programs. Once this assessment is complete, a
43 proposal will be made, if deemed necessary, to the Council on the most efficient and effective means to
44 provide any necessary additional capacity building support to countries to ensure the successful
45 implementation of national biosafety frameworks.” (GEF/C.24/7) While this is a commendable plan of

1 action, stakeholders commented to OPS3 that because so many NBFs were funded in a short period of time
2 (i.e., 120 projects in 4 years), there has been inadequate time for identifying and incorporating lessons learned,
3 which may compromise the quality of the NBFs.

4 In general, however, OPS3 finds that the GEF has been particularly responsive to the guidance of the COP
5 in terms of providing significant funding for capacity building for the Cartagena Protocol, and aims to be
6 responsive with respect to incorporating lessons learned from the NBF project into future projects.

7 **3.7.2 Climate Change (UNFCCC)**

8 The ultimate objective of the UNFCCC is to stabilize greenhouse gas concentrations at levels preventing
9 dangerous climate change, while allowing ecosystems to adapt, ensuring food security and allowing
10 sustainable economic development (UNFCCC: Article 2). As described in the Introduction to this report,
11 there are four OPs within the Climate Change focal area which represent programmatic responses to the
12 COP.

13 At the first COP, the Parties decided to adopt a mixed set of priorities for the GEF climate change focal area,
14 including support for long-term projects, short-term response measures, and enabling activities (Decision
15 12/CP.1, based on GEF FCCC/CP/1995/4). Subsequently, the largest share of GEF resources has been
16 assigned to long-term mitigation projects. A share of funds has also been committed to short-term response
17 measures (STRM). These include projects that “maximize short-term cost-effectiveness, by...sequestering or
18 abating the emissions of carbon dioxide that have the lowest unit incremental costs” (FCCC/CP/95/4).
19 Another limited portion of funds are for GEF-supported enabling activities and form a key part of UNFCCC
20 adherence by the Parties that are required to report on GHG emissions and climate change activities in the
21 form of national communications. Therefore, GEF’s funding of projects is in direct response to the priorities
22 outlined by the COP.

23 In general, OPS3 finds, as did OPS2, the 2002 COP-8 review of the GEF, and the 2004 Climate Change
24 Program Study (CCPS), that the GEF has effectively performed its role as financial mechanism of the
25 UNFCCC and has been responsive to its mandate as defined by the Convention and guidance and priorities
26 as given by the COPs. As the CCPS2004 points out, “the COP has been closely involved in major strategic
27 decisions regarding the GEF, including the choice of OPs and the recent call for adaptation pilots and
28 capacity building support.” Indeed, stakeholders from both the UNFCCC and the GEF Secretariat noted to
29 OPS3 that communication and coordination between the two entities has improved over the past few years.
30 In particular, more interaction was observed; for instance, now joint retreats are held with the two bodies.

31 This section will specifically discuss the responsiveness of the GEF to UNFCCC since OPS2 in three priority
32 areas:

- 33 • National Communications
- 34 • Implementation of special trust funds
- 35 • Other COP priorities, such as adaptation.

36 **National Communications**

37 As the 2004 Climate Change Program Study reported, the GEF has supported three of 40 national
38 communications for Annex I countries, and 105 of 115 national communications from NAI countries (23
39 have yet to submit their first NC, and the 10 remaining countries were mainly small island states or NICs).
40 UNFCCC representatives reported to OPS3 that three countries have also submitted their second national
41 communications, and that around 65 countries have reported that they have started the process of

1 preparation of second national communication. Thus, the GEF has adequately responded to the COP
2 requirement that the GEF support national communications.

3 Several weaknesses, however, have been identified with respect to the first round of national
4 communications. The 2000 GEF Review of Climate Change Enabling Activities found that preparation of
5 the operational guidelines for the first national communications did not involve consultations with the
6 countries, and recommended that the GEF establish a better consultative process for formulation of the
7 procedures for subsequent communications. In response, the GEF Secretariat, in consultation with the IAs
8 and the UNFCCC Secretariat, held a consultation of experts in September 2003 to discuss the proposed
9 procedures (GEF/C.23/6). To facilitate the preparation of the second round of NCs, the GEF Council
10 authorized the expedited financing of projects for the preparation of national communications using the
11 COP-8 guidelines, on the basis of operational procedures to be prepared by the GEF Secretariat in
12 consultation with the Implementing Agencies and the UNFCCC Secretariat in May 2003. Please see Section
13 3.2 for OPS3's assessment of the NCs and recommendations for the second round.

14 **Implementation of Special Funds**

15 Decisions 7/CP.7 and 10/CP.7 from COP-7 established an Adaptation Fund under the Protocol and two
16 funds under the Convention, the Least Developed Country (LDC) Fund and the Special Climate Change
17 Fund. All three funds are to be administered by the GEF where the special funds remain distinct from the
18 existing GEF Trust Fund used for climate change activities. Responsiveness of the GEF as it relates to the
19 LDC Fund and Special Climate Change Fund are addressed in this section, whereas the issue of adaptation is
20 discussed in the section below.

21 **Least Developed Countries Fund**

22 Decision 27/CP.7 of COP-7 requested that the LDC Fund “as a first step, [provide] funding to meet the
23 agreed full cost of preparing the NAPAs, given that the preparation of NAPAs will help to build capacity for
24 the preparation of national communications under Article 12, paragraph 1 of the Convention.” The GEF
25 responded quickly to this guidance in mobilizing the LDC Fund, and, as of March 2005, projects for the
26 preparation of NAPAs had been approved in 43 of the 48 LDC Parties to the UNFCCC, as well as two
27 global support projects, for a funding total of US\$9.4 million. (Of the five countries that are currently not
28 receiving financing for the preparation of NAPAs, UNDP is working with one country and UNEP with four
29 countries to prepare their project proposals GEF/C.24/Inf.8/Rev.1). The GEF Secretariat also reported at
30 the November 2004 GEF Council meeting that most approved projects anticipated completion of the NAPA
31 within 12 to 18 months, and that the first NAPAs were expected to be completed in the first three months of
32 2005. Most countries, however, expect to finalize their NAPAs in the second half of 2005.

33 At COP-9, the COP requested the GEF to “support the implementation of national adaptation programmes
34 of action as soon as possible after their completion” and to take into account the following elements when
35 developing operational guidelines for funding the implementation of NAPAs:

- 36 • “Ensuring a country-driven approach, in line with national priorities, which ensures cost-effectiveness
37 and complementarity with other funding sources;
- 38 • Equitable access by least developed country Parties to funding for the implementation of national
39 adaptation programs of action;
- 40 • Criteria for supporting activities on an agreed full-cost basis, taking account of the level of funds
41 available;
- 42 • Guidelines for expedited support;

- 1 • Urgency and immediacy of adapting to the adverse effects of climate change; and
- 2 • Prioritization of activities.”

3 To address these elements, the GEF Secretariat prepared a proposal on the process to be followed in funding
4 the implementation of NAPAs for the November 2004 Council Meeting (*Elements to be taken into Consideration*
5 *in Implementing NAPAs under LDC Fund*, GEF/C.24/Inf.7).

6 **Special Climate Change Fund**

7 At COP-9 in 2003, Parties agreed upon guidance for the operation of the Special Climate Change Fund
8 (SCCF) in decision 5/CP.9—specifically, that adaptation activities to address the adverse impacts of climate
9 change are to have top priority for funding and that technology transfer and its associated capacity-building
10 activities are also to be an essential area for funding. The decision invited the GEF to make the necessary
11 arrangements to mobilize resources to make the fund operational without delay.

12 In response to this guidance, the GEF Secretariat, in consultation with the IAs and UNFCCC Secretariat,
13 prepared a programming paper describing how the SCCF will fund activities in the program areas of
14 adaptation and technology transfer. This document was also reviewed by potential donors at two meetings
15 during 2004. The GEF Council endorsed this document at the November 2004 meeting.

16 **Adaptation**

17 The original guidance given to the GEF, at COP-1 in Berlin, provided for a staged approach to adaptation
18 (Decision 11/CP.1, 1995). In this decision, the GEF was directed to consider criteria for supporting planning
19 and studies of climate change impacts as a first stage. The second stage would explore measures to prepare
20 for adaptation. The third, and most advanced stage, was concerned with measures to facilitate adaptation.
21 The GEF has implemented this staged approach for Non-Annex I (NAI) National Communications
22 activities. The Climate Change Program Study 2004 noted that assessment and planning activities have been
23 funded by GEF, mostly through National Communications, though the challenge to define concrete
24 implementation activities remains. Significant progress has been made, notably in prioritizing adaptation
25 activities through a participatory process of the National Adaptation Programme of Action (NAPA) by
26 LDCs.

27 At COP-7, Parties agreed that there was a need for additional funding beyond contributions that are allocated
28 to the climate change focal area of the GEF and to multilateral and bilateral funding for the implementation
29 of the Convention. The GEF was also requested by COP-7 to provide support for establishing pilot or
30 demonstration projects to show how adaptation planning and assessment can be practically translated into
31 projects that will provide real benefits, and may be integrated into national policy and sustainable
32 development planning. COP-7 established an Adaptation Fund under the Protocol, and the SCCF includes
33 adaptation as one of its needs.

34 Adaptation was prioritized in subsequent COPs. Parties acknowledged at COP-8 that increasing importance
35 of adaptation measures was an objective of the Convention. In May 2003, the GEF Secretariat proposed a
36 strategy to support adaptation based on three components: (1) support for adaptation activities within NCs;
37 (2) support for projects that link adaptation strategies with other measures that achieve GEF-supported
38 global benefits; and (3) greater consideration to impacts of climate change as a long-term risk for the
39 sustainability of GEF projects. A strategic priority piloting an operational approach to adaptation was
40 approved by the GEF Council in November 2003, along with an associated US\$50 million in funding. At
41 COP-9, guidance was issued that adaptation activities to address the adverse impacts of climate change shall
42 have top priority for funding. In all, there are four different sources of funding for adaptation managed by
43 the GEF, each subject to different criteria:

- 1 • GEF Trust Fund – funding will be based on incremental cost guidance.
 - 2 • LDC Fund – funding is based on a sliding scale.
 - 3 • SCCF – like the LDC Fund, funding is based on a sliding scale.
 - 4 • Adaptation Fund – there is no clear criteria yet for how this fund will be operationalized.
- 5 The GEF still has much to sort out, however, in terms of its funding of adaptation activities; for instance,
6 how it will mainstream adaptation into the other focal areas of the GEF portfolio. The GEF’s adaptation
7 activities are addressed further in Section 3.2, where OPS3 suggests that the GEF will need to develop plans
8 for more strategic response to adaptation following the pilot program.

9 **3.7.3 Ozone Depletion (Montreal Protocol)**

10 The Montreal Protocol on Substances that Deplete the Ozone Layer was established to take appropriate
11 measures to protect human health and the environment against effects of human activities that are likely to
12 modify the ozone layer. The main objective of the Protocol is stated in the sixth paragraph of its Preamble:
13 the Parties to this Protocol are “Determined to protect the ozone layer by taking precautionary measures to
14 control equitably total global emissions of substances that deplete it, with the ultimate objective of their
15 elimination on the basis of developments in scientific knowledge, taking into account technical and economic
16 considerations and bearing in mind the developmental needs of developing countries.”

17 As discussed in Section 3.4, almost all CEITs for which the GEF has provided assistance are now in
18 compliance with the Protocol. As such, the GEF has essentially achieved the main objective of the Montreal
19 Protocol—to eliminate the consumption (i.e., production, exports, and imports) and emissions of ODS.

20 In regards to strategic responsiveness, OPS2 found that the GEF was both responsive and supportive of the
21 Montreal Protocol. Since OPS2, only one specific request has been made of the GEF by the MOP. In
22 Decision XV/49, the 15th MOP requested “the Council of the Global Environment Facility to consider, on
23 an exceptional basis, project proposals from South Africa on phasing out controlled substances in Annex E
24 for funding as per the conditions and eligibility criteria applicable to all countries eligible for such assistance
25 under the Facility.”

26 The GEF Secretariat requested more information from the Ozone Secretariat, which it then shared with the
27 GEF Council at its May 2004 meeting. In response, the Council agreed to provide project preparation
28 financing to South Africa to develop a project proposal for phasing-out methyl bromide. Thus, considering
29 that the GEF Council agreed to provide funding for South Africa, as requested by the MOP, the GEF can be
30 regarded as having been responsive to the objectives and guidance of the Montreal Protocol.

SECTION III: SUSTAINABILITY AND THE CATALYTIC EFFECTS OF THE GEF

This section investigates the extent to which sustainability and catalytic impacts have been realized through GEF activities, as well the key factors that influence the achievement, sustainability, and catalysis of global environmental benefits. Section 4 discusses the factors for achieving and sustaining global environmental benefits, as well as the extent to which sustainability has been achieved through GEF's projects. Section 5 discusses the extent and factors of catalytic impacts. Each section provides historical context, current evidence, strategic tensions, and recommendations. **[INSERT LANGUAGE ABOUT INTERCONNECTEDNESS OF SUSTAINABILITY AND CATALYTIC EFFECT.]**

4. Achieving and Sustaining Global Environmental Benefits

Achieving Global Environmental Benefits

“Global environmental benefits” are defined in a 1996 GEF policy paper as those benefits obtained “whenever a global environmental objective is met,” which includes the achievement of any of the conventions’ environmental objectives.³² The policy paper further explains that a “global environmental benefit” is distinct from the achievement of development or local environmental benefits. In particular, the GEF defines global environmental benefits for the six focal areas as follows:

- *Biodiversity*: Stemming the loss of global biodiversity through: the expansion and strengthening of protected areas in areas of high species richness and global significance (with a particular focus on four critical ecosystem types: arid and semi-arid; coastal, marine, and freshwater; forest; and mountain); and the conservation and sustainable use of components of biodiversity within broader landscapes by means of mainstreaming biodiversity concerns into land and water management.^{33,34}
- *Climate Change*: Minimizing climate change damage through: mitigation measures that reduce greenhouse gas (GHG) emissions by means of the adoption of low and zero GHG-emitting technologies in the energy and transportation sectors, or that protect or enhance the removal of atmospheric GHG by sinks, thus reducing the risk of climate change; and adaptation activities that minimize the adverse effects of climate change.^{35,36}
- *International Waters*: Safeguarding transboundary water resources through protection against: pollution from land-based sources; physical habitat degradation from poor management practices such as land conversion and dredging; introduction of non-native species; and excessive exploitation of living and non-living resources.^{37,38}

³² Incremental Costs, GEF/C.7/Inf.5, February 29, 1996.

³³ GEF, “Operational Strategy of the Global Environment Facility – Chapter 2: Biological Diversity,” 1996, p. 1-16.

³⁴ World Bank GEF Coordination Team, “Sustainable Development & the Global Environment – Conservation and Sustainable Use of Biodiversity,” Oct. 2002, p. 7-16.

³⁵ GEF, “Operational Strategy of the Global Environment Facility – Chapter 3: Climate Change,” 1996, p. 1-18.

³⁶ World Bank GEF Coordination Team, “Sustainable Development & the Global Environment – Climate Change,” Oct. 2002, p. 17-25.

³⁷ GEF, “Operational Strategy of the Global Environment Facility – Chapter 4: International Waters,” 1996, p. 1-15.

³⁸ World Bank GEF Coordination Team, “Sustainable Development & the Global Environment – Regional Cooperation on Shared Water Bodies,” Oct. 2002, p. 26-30.

- 1 • *Ozone Layer Depletion*: Protecting human health and the environment against adverse effects resulting, or
2 likely to result, from ozone layer depletion and the increase in ultraviolet-B radiation reaching the ground
3 through: the phase-out of the production and consumption of ozone-depleting substances.^{39,40}
- 4 • *Persistent Organic Pollutants*: Protecting against the toxicological effects resulting from the bioaccumulation
5 of persistent organic pollutants (POPs) through: the phase-out and elimination of the production and use
6 of POPs by means of the switch to new sustainable alternative chemicals, technologies and practices; and
7 the safe and effective management and disposal of existing POPs.⁴¹
- 8 • *Land Degradation*: Preserving or restoring land ecosystem integrity and productivity through: addressing
9 the causes of land degradation (with a particular focus on desertification and deforestation), where these
10 causes include unsustainable agricultural practices, overgrazing, and the unsustainable harvesting and use
11 of timber and non-timber forest resources.⁴²

12 The achievement of global environmental benefits can be measured at the outcome level (i.e., short or
13 medium-term effects) or the impact level (i.e., long-term effects). In projects that are highly technical in
14 nature and/or have a well understood results chain (e.g., in the ozone focal area), the achievement of global
15 environmental benefits can typically be achieved in the short-term, and will continue unless specific action is
16 taken to reverse the progress made. For example, production sector phaseout projects in the ozone focal area
17 target the replacement of ozone-depleting substances (ODS) with non-ODS alternatives, thereby eliminating
18 associated emissions of ODS and resulting in environmental benefits that can be measured in terms of
19 avoided emissions. Unless the technology switch is reversed, baseline ODS emissions will continue to be
20 avoided.

21 However, in more complex GEF projects, which represent the majority of the portfolio—such as many of
22 those in the biodiversity, climate change, international waters, and land degradation focal areas—
23 environmental improvements can often only be perceived and measured over long timeframes (on the order
24 of decades). As such, achieving global environmental benefits necessarily requires that the outcomes be
25 sustained over the long-term. For example, a biodiversity project may establish a protected area as an
26 outcome, but the sustainability of that protected area is needed in order for the project to result in reduced
27 biodiversity loss. Likewise, in the climate change focal area, market transformations must be sustained over a
28 period of years in order for greenhouse gas emissions to be reduced.

29 Whether global environmental benefits can transpire from a project in the short-, medium-, or long-term,
30 they will only be achieved if the right set of conditions is in place on that particular timescale. “Sustainability”
31 is the continued balance of those conditions to allow the continuation of those benefits, as discussed below.

32 **Sustaining Global Environmental Benefits**

33 The concept of sustainability was popularized in the 1980s with the release of “Our Common Future” by the
34 World Commission on Environment and Development (also known as the Brundtland Report). The report
35 stated: “Sustainable development meets the needs of the present without compromising the ability of future
36 generations to meet their own needs.” At the 1992 United Nations Conference on Environment and
37 Sustainable Development in Rio de Janeiro, world leaders endorsed this concept by adopting the Rio
38 Declaration, a statement of 27 principles to underpin sustainable development, including a precautionary
39 approach to environmental, social and economic issues. The principles were affirmed in Agenda 21, a

³⁹ GEF, “Operational Strategy of the Global Environment Facility – Chapter 5: Ozone Layer Depletion,” 1996, p. 1-8.

⁴⁰ World Bank GEF Coordination Team, “Sustainable Development & the Global Environment – The Phaseout of Ozone-Depleting Substances,” Oct. 2002, p. 31-33.

⁴¹ GEF, “Operational Program on Persistent Organic Pollutants [Draft] (OP#14),” Oct. 2003, p. 1-8.

⁴² GEF, “Operational Program on Sustainable Land Management (OP#15),” Dec. 2003, p. 1-14.

1 comprehensive plan of action to assist countries in implementing sustainable development. In 2002, the
2 World Summit on Sustainable Development (WSSD)—prepared and sponsored in part by the GEF—was
3 held in Johannesburg, South Africa, to advance practical and sustained steps in the fight against poverty and a
4 deteriorating natural environment.

5 Today, many definitions of sustainability and sustainable development exist, because the very concept of
6 sustainability is difficult to define. As stated by Mog (2004), the specific meaning and practical applications of
7 sustainability are (a) highly dynamic, as a result of constantly seeking balance amidst shifting background
8 conditions; (b) largely indefinite, as a result of being based on necessarily abstract, context-specific, and very
9 long-term goals; and (c) highly contested, as a result of the many human values, perceptions, and competing
10 political interests evoked by the concept.⁴³ At the core, however, all definitions of sustainability recognize the
11 interconnectedness of environmental, social, and economic considerations, and the need to achieve an
12 appropriate balance between these three pillars.

13 In the context of the GEF, OPS3 defines sustainability to be the continuation of global environmental
14 benefits (which may not themselves be apparent in the short- or medium-term) after project completion and,
15 in particular, the persistence of conditions—sociopolitical, economic, and environmental—brought about
16 from the project. The focus on *conditions* is important in underscoring the need to constantly monitor and
17 adapt to changes in environmental health, resource constraints, policies, technologies, markets, and other
18 dynamic forces that affect the continued achievement of global environmental benefits. That said, it is
19 important for the GEF to look beyond outcomes and impacts when assessing sustainability, and to explicitly
20 consider the context in which project benefits and activities will be able (or not able) to endure.

21 **Achieving vs. Sustaining Global Environmental Benefits: Where to Draw the Line?**

22 Given that (1) the achievement of global environmental benefits often can only be realized if activities and
23 conditions endure over the long-term, and that (2) sustainability inherently requires that global environmental
24 benefits be achieved before they can endure, the concepts of achieving and sustaining global environmental
25 benefits are closely related, if not one in the same. Further evidence of this interwoven relationship has also
26 become apparent through an exercise conducted by the OPS3 Team. Specifically, the Team developed a
27 matrix of factors, based on a review of the GEF literature, for both the achievement and sustainability of
28 global environmental benefits; the resulting matrices were virtually identical, as explained further below.
29 Therefore, the OPS3 Team treats the discussion on factors for the achievement and sustainability of global
30 environmental benefits jointly in this section.

31 **4.1 Factors for Achieving and Sustaining Global Environmental** 32 **Benefits (TOR 1D, 2A, 2B & 2C)**

33 **4.1.1 Historical Context**

34 The achievement of agreed global environmental benefits is at the core of GEF's mission statement.⁴⁴ Thus,
35 GEF operations and modalities are designed with this goal in mind. For example, past and present criteria for
36 project design and project approval address factors believed to be key to the achievement of global
37 environmental benefits; namely, project concepts must identify root causes of problems, describe national
38 commitments, and provide a preliminary risk assessment and an associated mitigation approach.

⁴³ Mog, Justin M. "Struggling with Sustainability—A Comparative Framework for Evaluating Sustainable Development Programs," in *World Development*, Vol. 32, No. 12, pp. 2139-2160, 2004.

⁴⁴ <http://www.gefweb.org/public/opstrat/ch1.htm>

1 The GEF's operational definition of sustainability is called out in its 1996 Operational Strategy, which
2 specifies that, to ensure the sustainability of global environmental benefits, GEF activities must be designed
3 to support:⁴⁵

- 4 1. National policies providing adequate incentives for development paths that are sound, from a global
5 environmental perspective, and contribute to the effective implementation of GEF operations.
- 6 2. Institutional arrangements that are supportive of global environmental protection.
- 7 3. Capacity building, human resource development, and skills that are necessary to achieve global
8 environmental objectives.
- 9 4. Communications and outreach that promote better public understanding of the global environment,
10 mobilize people and communities to protect the global environment, and build support for GEF's
11 objectives, strategy, and programs.
- 12 5. Public participation and consultation with major groups (see paragraph 5 of the Instrument for the
13 Establishment of the Restructured Global Environment Facility; see also Agenda 21, Section III,
14 "Strengthening the Role of Major Groups"), local communities, and other stakeholders at appropriate
15 stages of project development and implementation.

16 In addition, one of GEF's operational principles is to fund projects that are "country-driven and based on
17 national priorities designed to support sustainable development, as identified within the context of national
18 programs." In this context, the GEF operational programs need to relate to the economic and social
19 development aspirations of developing countries, and particularly, their national and local environmental
20 priorities. To this end, each of the focal areas provides scope for exploring objectives related to sustainable
21 development benefits at both national and local levels.⁴⁶

22 Since the OPS2 evaluation was conducted, various GEF entities have taken steps that directly or indirectly
23 target enhanced sustainability. Select examples include:

- 24 • Strategic Priorities were introduced at the May 2002 Council meeting in the FY03-05 Business Plan. In
25 the biodiversity focal area, through Strategic Priority Number 1 (Sustainability of Protected Area Systems),
26 GEF is providing support to build sustainable systems of protected areas that go beyond support to
27 individual and often "systemically-isolated" protected areas, but in which enabling environments,
28 capacity, and sustainable financing are targeted in more focused and systemic ways. Similarly, within
29 Strategic Priority 2 (Mainstreaming Biodiversity in Production Landscapes and Sectors), the GEF seeks
30 to catalyze mainstreaming through support for systemic and institutional capacity building while
31 improving awareness and education among government agencies and other stakeholders.⁴⁷
- 32 • To promote proactive and adaptive management, UNDP/GEF developed a Projects Risk Management
33 System (PRMS) that reinforces current mechanisms and adds new ones to ensure achievement of results
34 and impacts. The PRMS aims to provide a "systematic approach to prioritizing projects for supervision
35 and by effectively addressing any issues that significantly impair or might impair project's progress
36 towards its objectives." Moreover, it aims to enable the regional coordinators to enter into dialogue with
37 the Country Office Program Officers concerning adaptive management of projects at risk.⁴⁸
- 38 • The GEF Office of M&E is preparing a study on the nature and role of local benefits in GEF projects,
39 which will analyze stakeholder involvement according to the GEF policy. Once this study is complete,

⁴⁵ *Operational Strategy of the Global Environment Facility* (1996)

⁴⁶ OPS2.

⁴⁷ GEF Management Responses to the M&E Focal Area Program Studies, GEF/ME/C.24/7, October 19, 2004.

⁴⁸ *Measuring and Demonstrating Impact: UNDP/GEF Resource Kit* (No. 2). WORK IN PROGRESS, March 2005.

1 the GEF Office of M&E is expecting to begin the process of developing stakeholder indicators with the
2 IAs. Other important steps have also been made to address sustainability, including:

- 3 • The International Waters Task Force, through IW Learn, is developing guidelines for the realization of
4 TDAs and SAPs and the incorporation of stakeholders in international waters projects.
- 5 • The Office of M&E, in coordination with the Implementing Agencies and the GEF Secretariat, is to
6 carry out a study to identify steps that might be taken to address issues related to project design
7 complexity and overambitious project objectives.⁴⁹
- 8 • GEF entities are currently exploring measures to enhance engagement with the private sector.
- 9 • Initiatives are being undertaken by various GEF entities to strengthen country focal points and conduct
10 mainstreaming at the country level to promote country ownership and drivenness, as described in detail
11 in Sections 5.2 and 6.1.

12 **4.1.2 Current Evidence: Factors for Achieving and Sustaining Results**

13 Based on recent GEF reports,⁵⁰ the OPS3 Team developed matrices of factors for the achievement and
14 sustainability of global environmental benefits. In developing the matrices separately, the Team found that
15 the sets of factors were virtually identical, and that they could not be assessed in isolation of one another,
16 given the interwoven nature of achieving and sustaining global environmental benefits.

17 **Error! Reference source not found.** presents the resulting factors for the achievement/sustainability of
18 global environmental benefits. As shown, the resulting list of consolidated factors include: political will
19 (commitment, ownership); policy and legal framework and economic development plans; financing;
20 awareness and understanding; capable institutions and people (local capacity); local benefit sharing (including
21 poverty alleviation); project management; stakeholder participation; partnerships; sound
22 scientific/technological basis; time horizons; economic factors; scope/scale; exit strategy; socioeconomic root
23 causes; realistic goals; and monitoring and evaluation with corrective actions.

⁴⁹ Action Plan to Respond to Recommendations of the 2003 Project Performance Review, GEF/ME/C.24/2 October 15, 2004.

⁵⁰ Studies included in the matrix include: OPS2 (2002); Thematic Review on “Achieving Sustainability in Biodiversity Conservation” (2002); the MSP Evaluation (2002); the draft Local Benefits Report; the OP12 report (2005); and all 2004 focal area program studies (for biodiversity, climate change, and international waters).

1 **Exhibit 4-1. Matrix of Factors for Achieving and Sustaining Global Environmental Benefits**

Source	Political will/commitment/ownership	Policy and legal framework and incentives (incl. economic development plans)	Financing	Local Ownership	Awareness and understanding (incl. outreach)	Capable institutions and people (incl. local capacity)	Local benefit sharing/poverty alleviation	Project management (incl. adaptive mgmt)	Stakeholder participation	Partnerships	Sound scientific/technological basis	Time horizons	Economic factors	Scope/scale	Exit strategy	Social/economic Root causes	Realistic goals	M&E with corrective actions
OPS2 (2002)	X		X	X		X	X	X	X	X	X	X			X			
Thematic reiew-BD (2000)	X	X	X	X	X	X	unclear	X	X	X	X	X	X	X		X		X
BDPS (2004)	X		X			X	unclear		X	X	X			X				
IWPS (2004)	X		X	X	X	X		X		X	X		X	X	X			
CCPS (2004)	X	X	X		X	X		X		X	X		X					
2002 PPR	X		X			X					X	X		X				
2003 PPR	X	X	X			X						X					X	
MSP (2002)	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
OP12 Study (2005)	X	X	X	X					X	X	X	X	X					
Draft Local Benefits Study	X	X	X	X	X	X	X	X	X	X	X	X	X					X

2 [INCOMPLETE - THIS MATRIX WILL BE REVIEWED AGAIN FOR ACCURACY PRIOR TO
 3 FINALIZATION]
 4

5 While all of the above factors have been singled out as important in achieving and sustaining global
 6 environmental benefits at some level, many are interrelated, or inputs (or outputs) of another. No single
 7 factor, or set of factors, can guarantee sustainable benefits from all projects and programs across focal areas
 8 or projects goals, types, and conditions. Moreover, because sustainability is a dynamic state, so too are the
 9 factors that influence its achievement at any point in time; thus, the range of factors, or at least the level of
 10 importance attributed to each, is subject to fluctuation.

11 At the most fundamental level, two generic factors are key to all GEF projects and programs across the
 12 board:

- 13 • The will—political will (at the national government level) and local will (at the local government and
 14 community level); and

15 The way—viable means and tools to sustain environmental benefits. This includes resource factors, design
 16 factors, and management factors. Once “the will” is established, “the way” must be provided. The
 17 components of each of these are discussed in detail below.

18 **“The Will”**

19 The most basic requirement to ensure sustainability for any project or program—the “sine que non”—is
 20 political will at all the national level, without which global environmental benefits cannot be achieved or
 21 sustained. The fact that all GEF studies in the matrix have flagged political will as a key factor underscores its
 22 critical importance across all focal areas and project types.

23 **Political will** is the commitment of national government decisionmakers to protect the environment, which
 24 is needed for the long-term success of environmental initiatives. Political will is evidenced in the actions and

1 decisions of political leaders that demonstrate country ownership (commitment) and country drivenness
2 (when environmental initiatives are country-inspired). It can be manifested in a variety of ways, such as
3 through national *laws and policies*, including *economic development plans* and policies that align with
4 GEF project goals and set appropriate incentives/disincentives. Having the environment on national agendas,
5 a high level of *awareness and understanding* of environmental issues, and pride in national environmental
6 resources are other manifestations, as are strong environmental ministries, the existence of interministerial
7 councils, and strong GEF country focal points.

8 Political will at the national government level is needed to ensure that national policies do not undermine
9 GEF project goals and that financial and institutional commitments will be made post-project completion.
10 For example, government biodiversity policies and enforcement practices must provide a minimum level of
11 protection for protected areas. Likewise, government support to sustain joint institutional arrangements in the
12 international waters focal area is critical, as are power sector reforms and regulatory frameworks for more
13 widespread and sustainable applications of renewable energy and energy efficiency.⁵¹ Indeed, the Biodiversity
14 Program Study (2004) noted that the sustainability of project achievements has been “virtually non-existent”
15 in circumstances where government commitment or ownership was weak.⁵² Likewise, the World Bank’s 2003
16 biodiversity focal area report noted that national policies and decisions at the country level (or outside the
17 country) have often posed greater threats to conservation of protected areas than did poverty or lack of
18 alternative livelihoods, with decisions regarding the allocation of logging concessions, new transport
19 infrastructure, and the like undermining efforts to achieve and sustain global environmental benefits.⁵³

20 However, it must be recognized that governments are not monolithic, nor are they static. While strong
21 political will may exist at the level of the environment ministry, that ministry may be weak, and not necessarily
22 representative of the broader political will among the government sectors that hold the power to set national
23 priorities and enact policies. Moreover, political will may be strong with a political regime today, but that will
24 may disappear once a new regime comes to power. As such, shifts in political will can undermine the
25 continuation of global environmental benefits already achieved, by changing the external conditions under
26 which the fragile state of sustainability was built by GEF actors.

27 The GEF recognizes the importance of political will and, therefore, has mandated that GEF projects fit into
28 national priorities and be country-driven. In countries where government decisionmakers lack political will,
29 environmental mainstreaming and capacity-building at the national level is needed (e.g., the provision of
30 technical assistance to governments during planning and management exercises to ensure consideration of
31 environmental issues), and is commonly provided by the GEF. However, OPS3 found that political will is
32 sometimes compromised in GEF projects, as discussed in detail in Section 5.2.

33 **Local will**—including that of local government, NGOs, private sector, and civil society—is also critical to
34 the achievement and sustainability of global environmental benefits from all projects and programs, and
35 especially for those that are community-based and/or require behavior changes to achieve the desired
36 environmental impacts (as is common in biodiversity and land degradation focal areas). To garner local will,
37 outreach/awareness-raising, stakeholder participation, and the generation of local benefits (including income-
38 generating activities) are key.

39 **Outreach/awareness-raising** is the basic method of providing information to stakeholders and seeking
40 their support. The 2004 Climate Change Program Study found that sustainability of market transformation
41 would be enhanced if GEF programs are backed with well-designed public awareness campaigns, among a
42 variety of other factors. Similarly, TDA activities in the international waters focal area, which are cited as

⁵¹ CC Program Study (2004).

⁵² BD Program Study (2004), p. 84.

⁵³ 2003 PPR.

1 being most likely to “maintain stakeholder confidence while endeavoring to ensure longer-term sustainability
2 of local and global benefits,” aim to make all information available to the stakeholders in a “concise and non-
3 jargonistic manner.”⁵⁴ Awareness-raising and outreach can also be the first step of engagement toward more
4 meaningful stakeholder participation, which is discussed below.

5 **Stakeholder participation** is needed at all project stages (i.e., design, implementation, monitoring and
6 evaluation), particularly in projects that rely on behavior changes to achieve environmental goals. Stakeholder
7 participation can range from information sharing and consultations (low level participation) to collaborative
8 management partnerships (mid-level participation) to self-management (high-level participation).⁵⁵ Higher
9 level stakeholder participation is most commonly cited as a factor for sustainability in the biodiversity and
10 land degradation focal areas, as well as small-scale or community-based projects. In such projects, active (not
11 passive) participation is commonly needed to build local ownership and local leadership. A “champion” can
12 “carry the torch” once GEF involvement comes to an end. A “champion” to infuse enthusiasm and
13 commitment into the work and sustain desirable project outcomes, as was found by OPS3 in a number of
14 projects, including the Ecomarkets project (FSP) and the Organic Farming project (SGP) supported by “La
15 Alianza” in Costa Rica. Likewise, the MSP Evaluation (2002) found that “the local and participatory
16 emphasis of most MSPs has helped create more favorable conditions for the achievement of long-term
17 environmental goals.”⁵⁶

18 To change local behaviors, extensive groundwork on community social organization and culture is often
19 needed as a basic foundation, which can take considerable time. The availability of timely and reliable
20 information is also important to hold project actors accountable and promote trust building and transparency,
21 especially in cases where groups are asked to give up traditional resource use.⁵⁷

22 Although stakeholder participation may be most critical in the types of projects described above, it offers the
23 opportunity to increase the potential for achieving, sustaining, and catalyzing global environmental benefits in
24 nearly all types of projects. Indeed, the IW Program Study (2004) noted the failure to give due consideration
25 to proper stakeholder identification, consultation, and eventual participation as factors that would “severely”
26 compromise “project outcomes and the search for sustainable solutions.”⁵⁸ Moreover, the draft Local
27 Benefits Study cautions that projects in the climate change focal area could be “underestimating the social
28 factors that pattern the reception of new technologies within target communities.”⁵⁹ Likewise, as previously
29 mentioned, Brunner (2004) states that devolution of power to smaller communities is the most “constructive
30 response” for all but the most technical problems, where multiple goal values are typically at stake, different
31 interests have to be integrated if possible or traded-off if necessary.⁶⁰ Indeed, Mog (2004) states that, “[...] to
32 create a sustainable process of learning and of innovation, local people and institutions must be treated not as
33 mere collaborators, but as lead actors in the formal and informal research, trials and experimentation that can
34 help orient them toward identifying and solving the problems they face.”⁶¹

⁵⁴ IW Program Study, p. 65.

⁵⁵ Draft LBS. [INSERT PROPER CITATION]

⁵⁶ MSP Evaluation (2002), p. ix.

⁵⁷ BD Program Study (2004).

⁵⁸ IW Program Study, p. 49.

⁵⁹ LBS Climate Change Focal Area Desk Review [INSERT PROPER CITATION]

⁶⁰ Brunner, Ronald D. “Context-sensitive monitoring and evaluation for the World Bank,,” *Policy Sciences* 37: 103–136, 2004.

⁶¹ Mog, Justin M. “Struggling with Sustainability—A Comparative Framework for Evaluating Sustainable Development Programs,” in *World Development*, Vol. 32, No. 12, pp. 2139-2160, 2004.

Exhibit 4-2. Gender Consideration in the GEF

Addressing gender roles in the context of GEF projects is particularly relevant at the local level, in rural areas, where women are generally responsible for agriculture and other activities directly related to the management and use of natural resources. However, GEF operational policies are silent on gender, although it is arguably implicit in the guidelines on marginalized groups and participation. Still, the literature on gender mainstreaming is emphatic that unless gender is explicitly addressed in policies and planning, gender inequalities will persist (Lowe and Khan, 2001). Fortunately, each of the IAs has explicit policies on gender, all of which include the goal of mainstreaming the consideration of gender throughout all policies, programs and projects. For example, the World Bank's gender strategy requires periodic gender assessments in a country, and designing of country specific strategies based on cultural and social differences (Khundker, 2004).

Involving women meaningfully in GEF projects such that they are *empowered* to participate requires special effort on the part of implementing and executing agencies. The OPS3 Team found some evidence that agencies are rising to the occasion in this area. For example, one SGP project in Brazil is being run by a women's group ("Mulheres das Aguas" or "Women of the Water"), which is supporting savanna biodiversity conservation through a variety of activities that strategically utilize gender roles to influence community behaviors (e.g., teaching women how to make jellies and other goods from local plants, to gain an appreciation for and economic incentive to conserve). Another example is the Ecomarkets project in Costa Rica (FSP), which provides a specified amount of its revenue to women heads of households.

However, most often, IA representatives and other project proponents interviewed during OPS3 field visits had very little to say on the topic of gender consideration, suggesting that such consideration is not typically prominent in GEF projects. This supports the findings of the Local Benefits desk review of the biodiversity focal area, which found that project documents generally do not disaggregate "local communities" by gender (nor along other lines, such as ethnicity, age, etc.). Similarly, an earlier study conducted as part of the OPS2 evaluation also found that gender participation is rarely mentioned in project documents and that, when it is mentioned, it is done largely because of the explicit need to address the issue rather than as a result of a well-thought out analysis. It is evident that great opportunity exists to learn from GEF projects that have successfully incorporated gender issues into project design and implementation, to promote greater replication of such approaches throughout the GEF portfolio.

1
2 Also, the need for multilevel and multisectoral partnerships has been strongly linked to achieved and
3 sustained environmental benefits.⁶² This factor resonated powerfully with NGO stakeholders visited during
4 the OPS3 field study, who felt that partnerships between government, NGOs and civil society, and the
5 private sector are critical for sustaining environmental benefits on the ground. Evidence of successful
6 partnerships gathered by OPS3 support this, including the Integrated Management of Land-Based Activities
7 in the São Francisco Basin, Brazil, and the [insert full name] FUDENA project in Venezuela.

8 Adopting an inclusionary approach toward vulnerable groups—including indigenous groups, women, and
9 children—is particularly important during the stakeholder participation process. Addressing the needs of
10 these vulnerable groups is a fundamental aspect of sustainable development. Currently, a greater focus on
11 gender appears to be needed in the GEF, as suggested or recognized by the MSP Evaluation (2002), the draft
12 Local Benefits Study, OPS2, the Biodiversity Program Study, and a recent World Bank study⁶³ (see Exhibit
13 4-2 on "Gender Consideration in the GEF"). Opportunity exists to learn from GEF projects that have
14 successfully incorporated gender issues into project design and implementation through enhanced
15 information-sharing on this issue (see recommendations in TOR 5B). In addition, greater attention to the
16 needs, rights, and inclusion of indigenous peoples is also needed, as explained in the text box on "GEF and
17 Indigenous Groups."

⁶² Achieving Sustainability of Biodiversity Conservation (2004).

⁶³ [insert citation]

Exhibit 4-3. GEF and Indigenous Groups

Because many traditional territories of indigenous peoples worldwide have been designated as protected areas, and much of their ancestral lands contain biodiversity and biological corridors of global importance, GEF policies, projects, and programs have major implications for indigenous peoples. In recognition of this, the GEF agreed to designate two of the ten seats reserved for NGO observers for indigenous peoples' organizations (IPOs) in 2000, following the COP V of the CBD. Since that time, IPOs regularly attend both the GEF Council meetings and the preceding NGO consultation meetings. While indigenous participants have had mixed reviews of these Council meetings, the indigenous participants have reported that they appreciate the inclusiveness of the process, and feel that they have some level of influence on the thinking and priorities of the GEF Council.¹

As described in the Indigenous Peoples Report, prepared by the Forest Peoples Programme in January 2005, the GEF is making strides towards improving its consideration of indigenous communities. For example, the GEF launched a review of local benefits in GEF projects in 2002, in response to IPO (and others') requests, and is to work on developing social and participation indicators. In addition, the GEF is starting to support community conservation areas in Latin America, and several medium-sized projects are beginning to be prepared and implemented by indigenous peoples. Also, indigenous communities and organizations generally praise the GEF-UNDP Small Grants Program, especially ongoing efforts to improve indigenous peoples' access to GEF grants.

However, both the report of the Forest Peoples Programme (2005) and the Local Benefits focal area desk studies (2003) uncovered some critical areas of improvement for the GEF with regard to how the needs and wants of indigenous peoples are addressed. For example, the reports found that consultation/participation of indigenous groups is often lacking in GEF projects, and that the legal rights and cultural issues of indigenous peoples are not addressed in project design. The areas needing improvement, as identified in these two reports, are summarized in the table below.

Key findings the Indigenous Peoples and the Local Benefits Desk Review

	Indigenous Peoples Report (2005)	Local Benefits Desk Study (2003)
Indigenous consultation/participation is often lacking	✓✓	✓✓
Inconsistent/inadequate use of existing local and community institutions	✓	✓
Local communities are inappropriately treated as homogenous groups	✓✓	✓✓
Legal rights and cultural issues not addressed in project design/social assessments	✓✓	✓
No specific GEF policy regarding indigenous peoples	✓✓	●
Some GEF policies/projects still apply an exclusionary model of conservation	✓✓	●
Livelihood benefits received at community level are minimal	✓✓	✓
KEY		
● = Not a key finding		
✓ = Priority issue for the GEF		
✓✓ = High priority issue for the GEF		

As the GEF intends to expand grant aid to large-scale conservation and sustainable use projects in the wider landscape, it will become increasingly critical that the GEF adequately addresses the needs, rights, and concerns of indigenous peoples.

42 According to several GEF reports, GEF projects have made good progress in involving all types of potential
 44 stakeholders,⁶⁴ although active stakeholder participation has been more common during project
 46 implementation than during project preparation.⁶⁵ Moreover, the desk review conducted by the Office of
 48 M&E for the Local Benefits Study found that social assessment and stakeholder analysis in project design and
 50 implementation is not clearly articulated, with no systematic collection of baseline data on participation (both
 52 quantitative and qualitative) against which progress can be monitored and assessed against agreed indicators.⁶⁶
 53 Assessment data from the World Bank is more positive, however. Fifty-four World Bank-GEF projects

⁶⁴ BD Program Study (2004), OPS2 (2002), OP12 (2005).

⁶⁵ BD Program Study (2004).

⁶⁶ IW LBS Desk Study [insert proper citation]

1 subject to the Quality Assurance Group’s (QAG’s) assessment as they enter the lending program (“QEA”) 2
 2 and assessment of project supervision (“QSA”) between FY99 and FY04, 89% of projects overall were rated 3
 3 satisfactory or above in their treatment of social development aspects, which is slightly higher than the Bank- 4
 4 wide average of 87%. The 26 projects reviewed for QEA3 to QEA6 received a rating of 88% satisfactory or 5
 5 better on design quality, or the attention paid by the task team to integrating social, poverty and gender issues 6
 6 in the project. For another 28 projects implemented during FY00 to FY04, quality of supervision of identified 7
 7 social, poverty and gender issues was rated 89% satisfactory or better. OPS3 suspects that the divergence in 8
 8 findings between those of the Office of M&E and the QAG points largely to the inconsistency with which 9
 9 stakeholder participation is measured. While OPS3 has not reviewed the analyses of the QAG, based on the 10
 10 review of the Local Benefits desk study, it appears that a consistent and appropriate methodology and 11
 11 approach were used to derive the findings.

12 In terms of project design briefs, the Local Benefits desk review found that the present GEF reporting 13
 13 systems allows for approval based on minimal social analysis, and that the majority of projects provide little 14
 14 detail on stakeholders involved, why they are involved or how. For example, “local communities,” “women,” 15
 15 and “indigenous communities” were found to be commonly mentioned in project documents, but rarely 16
 16 disaggregated.⁶⁷ As found by OPS2 and the LBS desk review, more transparency/accountability and 17
 17 systematic reporting systems are needed across implementing and executing agencies with regard to 18
 18 participation.

<p>Exhibit 4-4. Fostering Sustainable Conservation through NGOs in Tanzania</p>	<p>20 22 24 26 28 30 32 34 36 38 40 42 44 46 48 50 52 54 56 58 60 62 64 66 68 70 72</p>	<p>On the ground, OPS3 found that NGOs are pleased with the unique space for participation mandated by the GEF, and encouraged that international donor organizations can help foster greater partnerships between government and non-state actors in the future. OPS3 learned about a very successful example of this kind in Tanzania (see Exhibit 4-3 on “Fostering Sustainable Conservation through NGOs in Tanzania”).</p> <p>However, NGOs consulted by the OPS3 Team noted that more is written or said about stakeholder participation in GEF projects than actually takes place. As did the Biodiversity Program Study, the OPS3 Team found that much “consultation” takes place, but less active participation is seen. In the Pacific SIDS, there was a high degree of low-level NGO participation, which was not pursued by follow-up. Moreover, during NGO workshops held in Fiji, many participants commented that they did not realize, or realized belatedly, that projects in which they had been involved (in some way) were GEF funded, nor were they clear about what their roles were in those</p>
<p>In Tanzania the GEF has had a significant impact on capacity building and increasing awareness of environmental issues. As part of the 1992-1996 Institutional Support Program in Biodiversity project, the GEF supported local NGOs in organizing a workshop on <i>Putting Biodiversity on the National Agenda</i>. This event was attended by the president, various ministers, and representatives of NGOs and universities, and had a major impact on increasing awareness which has not only endured, but <i>grown</i> over the years. The event allowed NGOs to gain credibility among government and raise needed funds to expand their conservation work into new areas. Indeed, the workshop has been credited with launching the NGO movement in Tanzania.</p> <p>Since the mid-1990s, the Wildlife Conservation Society of Tanzania (WCST), an NGO, has played a large role in various GEF projects in the country. Their first GEF project, the GEF cross-border biodiversity project, provided them with valuable experience and allowed them to play a critical role in conserving wildlife in the country. For example, WCST is responsible for developing quotas on live bird trade, and interacts with the Ministries of Education, Forestry, and Fisheries to develop marine parks—among other things. According to WCST representative interviewed by OPS3, their growth has largely been a result of GEF projects, which gave them the needed experience, exposure, and funds to kick-start biodiversity conservation in Tanzania.</p>		

⁶⁷ IW LBS Desk Study [insert proper citation]

1 projects.

2 **Local benefits** are interpreted as elements of project outcomes that directly or indirectly have positive
3 impacts on people and ecosystems within or adjacent to GEF project areas, and provide tangible gains in the
4 livelihoods of communities and the integrity of ecosystems.^{68,69} Simply stated, local benefits promote local well
5 by providing local stakeholders with incentives to undertake desired behavioral changes that lead to
6 environmental benefits. Local benefits relate more to social and economic development and poverty
7 reduction goals than to environmental goals, per se, but are, therefore, critical for maintaining the
8 sustainability balance by bringing the social and economic pillars in check. They are particularly important for
9 indigenous groups, women, the poor, and minority groups who depend more directly on natural resources
10 and have the lowest capacity to respond to and cope with the degradation of ecosystems, as described in the
11 text boxes above.⁷⁰

12 As previously discussed, the need to address environmental issues cannot be separated from the need to
13 address poverty. This is particularly true for LDCs and SIDS, where stakeholders interviewed by the OPS3
14 Team emphasized that poverty alleviation goals are the most pressing priorities; as was said, “You can’t fix
15 the environment until you fix poverty.” The outcomes of the WSSD and the Millennium Declaration
16 reinforce what is an emerging trends to require that environmental projects and programs justify themselves
17 in poverty reduction and development terms, which in turn means that the importance of demonstrating local
18 benefits is similarly reinforced.⁷¹

19 The generation of local benefits is most commonly cited as being a factor for achieving and sustaining global
20 environmental benefits in the biodiversity and land degradation focal areas, as well as small-scale or
21 community-based projects. For example, the MSP Evaluation (2002) found that “the sustainability of
22 community-level MSPs will often depend on the extent to which economic benefits to local people have
23 resulted.”⁷² However, local benefits can and should be built into projects in any focal area in a number of
24 ways, as described in detail in the draft Local Benefits Study. Unfortunately, in practice, the generation of
25 intended local benefits has been very limited for projects and programs that are global in character.⁷³

26 However, local benefits are not a panacea; caution has been raised about the extent to which local benefits
27 can sustain environmental objectives. In particular, the BD Program Study (2004) noted that there is not a
28 significant amount of evidence demonstrating that benefits accrued by individuals and communities resulted

⁶⁸ According to the draft Local Benefits Study, local benefits can be categorized as: (1) improved access to natural capital; (2) increased livelihood opportunities, income and financial capital; (3) improved social capital, equity and institutional capacities in local communities; (4) improvements to physical capital; (5) improvements to human capital; (6) reduced vulnerability to disasters, ecosystems degradation and other factors; (7) improved health and food security; and (8) improved sustainability of resource management.

⁶⁹ The Nature and Role of Local Benefits in GEF Program Areas: A Review of International Experiences Concerning the Nature and Role of Local Benefits in the Biodiversity, Climate Change and International Waters Areas, Study Document No. 8. August 18, 2003.

⁷⁰ According to the draft Local Benefits Study, local benefits can be categorized as: (1) improved access to natural capital; (2) increased livelihood opportunities, income and financial capital; (3) improved social capital, equity and institutional capacities in local communities; (4) improvements to physical capital; (5) improvements to human capital; (6) reduced vulnerability to disasters, ecosystems degradation and other factors; (7) improved health and food security; and (8) improved sustainability of resource management.

⁷¹ The Nature and Role of Local Benefits in GEF Program Areas: A Review of International Experiences Concerning the Nature and Role of Local Benefits in the Biodiversity, Climate Change and International Waters Areas, Study Document No. 8. August 18, 2003.

⁷² MSP Evaluation (2002), p. 18.

⁷³ The Nature and Role of Local Benefits in GEF Program Areas: A Review of International Experiences Concerning the Nature and Role of Local Benefits in the Biodiversity, Climate Change and International Waters Areas, Study Document No. 8. August 18, 2003.

1 in changes of behavior that favored biodiversity conservation. The study found that, for several projects,
2 activities did not produce enough cash income for local populations, and resulted in continued demand for
3 the targeted resource and, in some cases, an increased demand.⁷⁴ This finding points to the need for adequate
4 market research/understanding and careful monitoring to provide and ensure that communities are given
5 economically viable alternatives that will compel them to behave as desired (e.g., refrain from specific
6 resource use). Moreover, it underscores the need to carefully balance local benefits with the other pillars of
7 environment and economics in order to achieve sustainability. This balance is important in light of other
8 negative findings about local benefits, such as that expressed in the 2000 thematic report by M&E: “emphasis
9 of communities and project managers might tip too far toward income-generating activities, to the detriment
10 of long-term conservation.”⁷⁵ The imbalance between environment and development objectives was also
11 noted in the draft Local Benefits Study. Overall, a balance between these aspects is needed, so that
12 environmental and development goals can coexist; if tradeoffs are necessary, these must be recognized and
13 dealt with. Based on the OP12 Report, which reviewed project documents for all 38 projects in the OP12
14 portfolio, it appears that this issue of tradeoffs is not being adequately addressed in some GEF projects.⁷⁶

15 According to the draft Local Benefits Study, few GEF projects establish social baselines against which to
16 measure change and, thus, the attainment of their stated local livelihood benefits goals, nor are plans typically
17 in place for monitoring and evaluating these aspects. This is not that surprising, given that the establishment
18 of a social baseline is not included in the GEF-funded incremental cost. The study also found that, during
19 project implementation, the systems of reporting to the GEF do not provide sufficient information on local
20 livelihood benefits and impacts—again, not that surprising given that they are not designed to systematically
21 provide this type of information. Further, the study found that no quantitative or qualitative information is
22 systematically on the generation of local benefits is provided in PIRs, MTEs or TE reports.⁷⁷ Enhanced
23 accountability and common reporting systems are needed across implementing and executing agencies with
24 regard to local livelihoods/benefit generation—as found by OPS2 and the LBS desk review. Moreover,
25 improved tracking of livelihood benefits, such as health benefits, could increase political will and local buy-in
26 and foster increased replication, as there is an improved understanding and dissemination of those benefits.

27 **“The Way”**

28 Conceptually, the way to achieve and sustain global environmental benefits according to the OPS3 Team
29 consists broadly of three components, as mentioned above. These components include resource factors,
30 design factors, and management factors.

31 **Resource Factors**

32 Resource factors refer to those assets that must endure once GEF involvement comes to an end. The first
33 such asset is **finances**—a factor that was highlighted in all GEF studies as being key. While adequate financial
34 support is needed during project implementation to provide needed project inputs, unless projects are self-
35 financing, additional sources of funding must also be secured to sustain outputs and outcomes once GEF
36 involvement ceases. While financial self-sufficiency or even profitability may be the ultimate goal for many
37 projects, achieving this state within the lifetime of a GEF project—if at all—is often not possible.⁷⁸ For
38 example, in the international waters focal area, sufficient government funding is needed to maintain the
39 institutions at the level necessary to implement actions agreed on in the SAP and other relevant agreements;

⁷⁴ BD Program Study (2004), p. 63, 66.

⁷⁵ Thematic Review: Achieving Sustainability in Biodiversity Conservation (2000), p.21.

⁷⁶ The OP12 Report states that the notion that inclusion of the GEF project would result in “win-win” gains in both development and global environmental goods was implicit, and that programs must carefully assess the more likely need to deal with trade-off outcomes.

⁷⁷ IW LBS Desk Study [insert proper citation]

⁷⁸ BD Program Study (2004); Achieving Sustainability in Biodiversity Conservation (2000).

1 in the biodiversity focal area, long-term funding is needed to manage protected areas and to support
2 alternative livelihood behaviors; and in the climate change focal area, sustainable financing schemes
3 contribute to the achievement of market transformations for energy savings or clean technology applications.
4 Diversity in funding is ideal, as not to become dependent on a single source, as called out in the Biodiversity
5 Program Study (2004).⁷⁹ Involvement of the private sector has been identified as an important way to
6 promote financial sustainability of projects.

7 The other “resource factors” for sustainability—institutions and people—refer to the capacity that must be
8 available while the project is ongoing, and then endure once GEF involvement ceases. **Institutions** are
9 particularly important in the biodiversity and international waters focal areas to champion the cause and
10 undertake ongoing responsibilities. In particular, sustaining biodiversity conservation in the long term requires
11 institutions with a “cohesive presence and identity to be able to operate and achieve their mandate,” to whose
12 establishment the GEF has contributed.⁸⁰ According to the Biodiversity Program Study (2004), a sustainable
13 institution should have an appropriate organizational structure to enable accountability, effective
14 communication, and chain-of-command processes within the institution. Similarly, in the international waters
15 focal area, interministry and inter-country bodies are needed to implement agreed actions (e.g., those in the
16 SAP). OPS2 noted that broadened and intensifying partnerships with the science and technology
17 communities can help build capacity.

18 The International Waters Program Study (2004) observed that sustainable institutional mechanisms are rarely
19 created in less than a 10-year total time frame. Moreover, OPS3 field visit identified a number of projects
20 facing challenges due to weak or changing institutional structures. For example, in Russia, challenges to
21 continuity were caused by governmental reorganizations over the past decade, where responsibilities and
22 associated staff and budget might have been lodged in an agency which was subsequently eliminated or
23 changed in function. Russia overcame this challenge by putting in place redundancies for roles and
24 responsibilities, such that responsibilities were devolved to lower government levels. Building in these types
25 of staff redundancies is needed in unstable federal institutional arrangements.

26 **Human resources**, including technical and leadership capacity, are needed across all major focal areas to
27 carry out responsibilities at the local and/or institutional levels. Capacity at the local level is particularly
28 important for small-scale or community-based projects (e.g., SGP, MSP).

29 Stakeholders interviewed during the OPS3 field visits commonly cited the need for human capacity, and
30 noted two main obstacles to sustainability in this area. First, the use of international experts or consultants in
31 GEF projects has often undermined capacity development and technology transfer to local people (as well as
32 national institutions and organizations). Moreover, the use of international consultants can have secondary
33 effects on weakening the likelihood of sustainability by created animosity or a sense of disempowerment in
34 communities (thereby undermining local ownership, the third component of the “way” to sustainability).
35 Second, high staff turnover is a problem in many countries (especially in LDCs or SIDs, where new skills may
36 lead to better opportunities in other countries), resulting in the loss of capacity, particularly if it is narrowly
37 held. Thus, technical capacity must reside in more than one person.

38 **Design Factors**

39 Creating a project or program that will achieve and sustain global environmental benefits begins with making
40 sure that the appropriate factors are considered at the outset, in design. A fundamental factor in project

⁷⁹ According to an M&E report (2000), the more conservation projects draw on a diversified base of many sources of funding (e.g., governments, user and service fees, private donations, and the international community), the more likely they are to be sustainable.

⁸⁰ BD Program Study (2004).

1 design is getting the premise (in terms of achieving and sustaining environmental benefits) of the project right
2 by using **sound scientific/technical bases**. For most projects, strong scientific and technical bases are
3 needed for ensuring that global environmental benefits are both achieved and sustained. The International
4 Waters Program Study (2004) and OPS3 found that TDA/SAP activities are most likely to lead to success
5 and longer-term sustainability of benefits. As previously mentioned, the OP12 Study found several troubling
6 cases of projects that were based on flawed science in design, although these findings were based only on (38)
7 projects in OP12.⁸¹

8 For projects that target market-based solutions, **sound economic basis** is also key. In particular, climate
9 change projects that seek to transform markets must reflect solid understanding of the market and business
10 infrastructure, and use the appropriate technology. Likewise, economic awareness and understanding is
11 needed in biodiversity projects that must provide alternative livelihoods. The OPS3 Team observed that,
12 where the goals of the project have been aligned with or have developed viable commercial opportunities,
13 drivers for sustainability have been created.

14 Similarly, project designers must correctly identify and seek to address the social and political **root causes** of
15 environmental problems, if they are to properly design solutions to achieve and sustain global environmental
16 benefits. This need appears to be most pervasive in the biodiversity, land degradation, and international
17 waters focal areas. For example, the root causes of biodiversity loss often compel the need for local benefit
18 sharing and modifications to national economic policies. To the extent possible, design should also attempt to
19 build in resilience to exogenous effects, such as international economic shocks or changes in the political and
20 security environments.

21 Project design must also consider the most **appropriate scope and scale** for achieving sustainable global
22 environmental benefits. A project of any size or scale can (and has) produced sustainable results, but in order
23 to do so, design must strive to achieve the right balance between the ambition of a project, its budget, and its
24 likelihood for sustainability. Often, the very nature of certain projects may dictate scale. For example,
25 addressing environmental issues in the international waters focal area may not be feasible through a smaller-
26 sized project vehicle. The International Waters Program Study (2004) highlighted the need for a coordinated,
27 system-wide approach to achieve global environmental benefits, noting that piecemeal approaches do not
28 work. A recent OME report found that the scale of projects and their technical complexity and
29 implementation schedules should be consistent with the capacities of local executing agencies.⁸² Similarly, the
30 M&E thematic review (2000) noted that sustainability can be fostered by scaling project activities to local
31 capacities, and gradually increasing their size and complexity as capabilities expand. The Medium-Sized
32 Project Evaluation (2002) found that MSPs that are part of a larger process appear to have greater potential
33 for sustainability—and of course, they would also have greater potential impact on the global environment.

34 Some evidence suggests that smaller-sized projects may hold more promise in achieving sustainability,⁸³
35 perhaps because of their more targeted focus and limited objectives, or because of the more transparent,
36 participatory, and country-driven approach to planning that characterizes SGP projects.⁸⁴ Indeed, the 2003
37 SGP Evaluation found that “the overall long-term global benefits from SGP activities will be considerable,
38 and are likely to exceed the global benefits generated by most larger projects with financial resources
39 comparable to or even exceeding the entire SGP budget.” Stakeholders at all levels and across multiple
40 countries interviewed as part of the OPS3 field study voiced very strong support for the SGP, citing very high
41 likelihood of sustainability due to the fact that they are more manageable (not to mention accessible)—

⁸¹ OP12 Study (2005).

⁸² Report of the Monitoring and Evaluation Unit, GEF/C.23/3, April 21, 2004.

⁸³ The Biodiversity Program Study (2004) found that, of the projects they assessed that reported achievements regarding the overall likelihood of sustainability, MSPs outnumber FSPs by approximately two to one, while FSPs outnumber MSPs approximately two to one for projects that reported shortcomings on sustainability.

⁸⁴ BD Program Study (2004).

1 especially for LDCs and SIDS with very limited capacities—and more inline with their capacity to absorb
2 funds. These findings make sense in light of Brunner (2004), who found that, “For all but the most technical
3 problems... the most constructive response to ameliorating pressing problems is often to devolve power to
4 smaller communities, where it is easier to integrate the competing demands of interest groups and
5 institutions.”⁸⁵

6 However, while the nature of smaller projects may be more conducive to sustainability, at least at some level,
7 their potential impact on the environment may be questionable—an issue raised by several stakeholders
8 interviewed by the OPS3 team. Further investigation into how the achievement and sustainability of
9 environmental benefits varies by project size is needed to more conclusively state which, if any, size project is
10 most successful.

11 In addition, project designers must set *realistic goals* for achieving sustainability within the limited
12 timeframe of GEF projects. The 2003 PPR found that: “Objectives may be unrealistic in terms of the
13 capacities of local partners, assumptions about initial conditions or the resources, and time required to
14 achieve the desired results—or in all of these.”⁸⁶ IAs have also reported that GEF projects tend to include
15 too many separate activities, resulting in lack of clarity of what the project objective actually is.⁸⁷ The fact is
16 that many projects are unlikely to reach sustainable results within the short timeframes in which they are
17 implemented (typically 2 to 4 years). Longer timeframes, on the order of 10 years, are often needed to
18 achieve sustainable results. That said, designers must plan for sustainability at the outset to properly plan for
19 the continuation of benefits once GEF pulls out. While such planning is commonly referred to as an “*exit*
20 *strategy*,” if such planning is to foster sustainability, the strategy should not just be about planning for an
21 exit, but about planning for the next phase; the evolution of the project post-GEF financing. The Biodiversity
22 Program Study (2004) found that project designs rarely include dedicated exit strategies from the start, which
23 very likely resulted in lessened potential for sustainability.

24 To move the project to a sustainable basis, sustainability indicators should be identified to allow *monitoring*
25 *and evaluation* against those indicators at early and mid-stages of implementation. This can allow the
26 gauging of variables to inform future project decisions, such that projects can be kept on track to achieve
27 sustainability. (This issue also links to the need for adaptive project management, discussed below, so that
28 constructive feedback can be used to improve project implementation.)

29 It should be noted that a variety of other considerations must be addressed in project design in order to foster
30 local ownership (e.g., social assessments, stakeholder input, etc.), which is key for community-based projects.
31 These factors were discussed earlier, in the context of garnering local will.

32 **Management Factors**

33 Adequate management skills, including *project management*, were explicitly flagged as being important for
34 achieving and sustaining global environmental benefits of projects in all major focal areas. As previously
35 stated, the OPS3 Team found that the success of many projects often depended on the competence of
36 project managers on-the-ground. *Adaptive management* is needed in all project types to allow managers to
37 modify project plans for sustainability, as project conditions and external factors change over time. In
38 addition, an appropriate level of *oversight* is also needed on the ground.

⁸⁵ Brunner, Ronald D. “Context-sensitive monitoring and evaluation for the World Bank,,” Policy Sciences 37: 103–136, 2004.

⁸⁶ 2003 PPR, p. 37.

⁸⁷ Report of the Monitoring and Evaluation Unit, GEF/C.23/3, April 21, 2004.

1 **4.1.3 Current Evidence: Extent of Sustainability**

2 Since OPS2, a number of other GEF studies have also provided information on actual or likely sustainability
3 of GEF projects, including: The Challenge of Sustainability (2002), the Biodiversity Program Study (2004),
4 PPRs (2002 and 2003), and the draft Local Benefits Study (2004/2005). For example, the UNDP project in
5 Uzbekistan that is establishing the Nuratau-Kyzylkum Biosphere Reserve is highlighted in the Biodiversity
6 Program Study, as the UNEP project, Reversing Environmental Degradation Trends in the South China Sea
7 and Gulf of Thailand, is noted in the 2003 PPR.

8 In addition, the OPS3 field study has also uncovered further evidence of sustainability. For example, the
9 Ecomarkets project in Costa Rica, which was noted as holding promise for sustainability in the 2000 M&E
10 Thematic Review,⁸⁸ was found to be producing sustainable results (see Section 3.1 for more details). Benefits
11 of other projects were also deemed likely to be sustained, including the Integrated Management of Land-
12 Based Activities in the Sao Francisco Basin project in Brazil, the Management and Conservation of Wetland
13 Biodiversity in the Esteros del Ibera project in Argentina.

14 However, while it is clear that sustainability of benefits follows some GEF projects, there is reason to believe
15 that the level of actual or likely sustainability achieved through GEF projects may be somewhat limited:

- 16 • The Biodiversity Program Study (2004) found that, based on an in-depth review of 34 completed
17 projects, important outcomes were not likely to be sustained in about two-thirds of the projects,
18 including: 13 of 21 World Bank projects, 6 of 10 UNDP projects, and 3 of 3 UNEP projects.
- 19 • The 2004 Report of the Monitoring and Evaluation Unit (GEF/C.23/3) noted that, while GEF has
20 supported Transboundary Diagnostic Analysis (TDAs) and Strategic Action Programs (SAPs) on
21 reduction of stress in water bodies in the international waters focal area, there is uncertainty about
22 whether investments are taking place after the planning exercise. The report also noted that the 2003
23 PPR found that financial and institutional sustainability are a major problem at the time the GEF projects
24 are closed in the biodiversity focal area.
- 25 • The 2003 PPR noted that only five of nine ongoing World Bank climate change projects assessed were
26 given encouraging prognoses for sustainability.
- 27 • The 2002 PPR found that, “even though some aspects of projects might have a high likelihood of
28 sustainability, GEF projects are not doing enough to ensure the sustainability of overall project outcomes
29 and impacts.”
- 30 • The Medium-Sized Projects Evaluation (2002) found that most MSPs supported and catalyzed important
31 initial steps toward addressing environmental problems, but that subsequent steps would be required to
32 generate long-lasting and significant benefits.⁸⁹

33 But aside from project examples and qualitative observations, all of these studies—including OPS3—have
34 been hampered by data limitations in assessing the extent of sustainability. As already discussed, achieved
35 sustainability of benefits/activities can only be assessed in the long-term (10-15 years), which renders
36 assessment of GEF projects difficult, given that only a small sample of projects have been completed to date.
37 More importantly, a systematic account of the extent of sustainability is not possible, given the lack of
38 systems in place to adequately measure actual or likely sustainability. Indeed, there is still no common system
39 in place to quantifiably or qualitatively measure the extent of actual or likely sustainability in terms of the
40 overall GEF portfolio, so that information on this topic is readily available.

⁸⁸ “Achieving Sustainability in Biodiversity Conservation” (2000).

⁸⁹ Medium-Sized Projects Evaluation, M&E, p. 17.

1 Currently, several modalities are in place to promote and monitor sustainability in GEF projects. In particular,
2 sustainability must be explicitly addressed in project proposals and terminal evaluation reports (TEs),
3 although the treatment of sustainability is often focused on *financial* sustainability. In annual project reviews
4 (PIRs), the treatment of sustainability can vary by project; some directly discuss prospects, threats, and/or
5 requirements for sustainability, while others may indirectly address it, through the provision of information
6 on general project risks, partnership strategies, monitoring and evaluation, stakeholder participation, etc.⁹⁰ In
7 addition, projects are encouraged to include long-term monitoring plans that are sustainable after project
8 completion.

9 But without a system in place to measure the extent of likely sustainability, or any systematic ex-post
10 monitoring to measure actual sustainability, a comprehensive assessment of sustainability achieved by the
11 GEF portfolio is impossible.

12 On a positive note, the OME is to begin ex-post project evaluations in 2006. Moreover, the World Bank's
13 evaluation department (Operations Evaluation Department, or OED) already conducts select ex-post project
14 impact evaluations, including of GEF projects. According to the OED, the likelihood of sustainability of
15 GEF projects implemented by the World Bank averaged 72% from FY01 to FY03, and the ICR ratings were
16 even more optimistic.⁹¹ Moreover, these studies have found that newer GEF projects show improvements
17 over older ones, in terms of incorporating the necessary ingredients for sustainability. More recently, the
18 World Bank's GEF Coordination Team has begun a series of impact assessments of projects completed on
19 average five years ago. Studies are nearing completion of four climate change projects and about to begin for
20 five biodiversity projects. Based on the assessment of the climate change projects, four were found to be
21 producing sustainable results: the Poland Efficient Lighting project, the Mexico High Efficiency Lighting
22 project, the Thailand Promotion of Energy Efficiency project, and the Jamaica Demand Side Management
23 project.

24 Some implementing agencies also conduct other types of evaluations that touch on sustainability in some
25 shape or form. In particular, the World Bank and UNDP conduct thematic/sectoral studies and country
26 evaluations, and UNDP also conducts outcome evaluations.⁹²

27 Additionally, the Office of M&E's draft 2004 Annual Performance Report (APR) also addresses
28 sustainability. This report summarizes the ratings on anticipated achievement of objectives and sustainability
29 provided by IAs in the 25 terminal evaluation reports (TEs) prepared in FY04. Based on this summary, the
30 majority of projects (58%) were rated as being likely, good, or satisfactory for achieving sustainability, as
31 presented in Exhibit 4-5.

⁹⁰ In project proposals, sustainability is also addressed through information required on risks and elements that are key to sustainability—which include the national programming context, root causes, stakeholder participation, dissemination, scientific and technical reviews, etc.

⁹¹ 2003 PPR.

⁹² 2003 PPR.

1 **Exhibit 4-5. Summary of IA Sustainability Ratings in FY04 Terminal Evaluation Reports^a**

	Unlikely/ Fair/ Marginally Satisfactory	Likely/ Good/ Satisfactory	Highly likely/ Very good/ Highly Satisfactory	Excellent	No Rating
Percent of Projects	12%	58%	18%	4%	8%
Number of Projects	3	14.5 ^b	4.5 ^b	1	2
Number of Projects by IA	➤ 1 UNDP ➤ 1 UNEP ➤ 1 WB	➤ 2.5 UNDP ➤ 5 UNEP ➤ 6 WB ➤ 1 UNDP/WB	➤ 0.5 UNDP ➤ 2 UNEP ➤ 2 WB	➤ 1 UNEP	➤ 1 UNDP ➤ 1 WB

2 ^a Ratings in this table attempt to unify disparate ratings systems used within and across IAs. Ratings grouped together in
3 this table may not necessarily reflect the same level of achievement of sustainability.

4 ^b One UNDP project was rated as “Highly Satisfactory/Satisfactory,” which is represented in this table as a half point in
5 both “Highly Satisfactory” and “Satisfactory” rating categories.

6
7 However, the sustainability ratings provided by IAs were not consistent across or within agencies, and there is
8 wide variations in the types and numbers of ratings (e.g., some used the scale from Highly Likely to Highly
9 Unlikely, while others used the scale from Highly Satisfactory to Unsatisfactory).^{93,94} Moreover, as shown in
10 Exhibit 4-5, 8% of completed projects in FY04 did not provide ratings at all.

11 In the absence of a more systematic measurement and cataloging of likely or actual sustainability, a more
12 accurate portrayal of the extent to which sustainability is being achieved in the GEF portfolio overall is not
13 possible. This would require the development of clear definitions and indicators for sustainability by focal
14 area and adequate information management architecture and systems. Indicators would need to look beyond
15 project outcomes by accounting for the conditions in which projects are operating (e.g., use of adaptive
16 management to modify project plans in response to changes in national economic policies and other external
17 conditions; strengthening of institutions to respond to such changes once GEF-funding ceases; etc.).

18 Fortunately, a number of efforts are underway that hold promise in contributing to the measurement of
19 achieving and sustaining global environmental benefits. For example:

- 20 • In June 2003 the GEF M&E developed “GEF Guidelines for Implementing Agencies to Conduct
21 Terminal Evaluations,” which includes general principles for assessing project achievements with regard
22 to sustainability. The M&E proposes that evaluators address at least three aspects of sustainability: (1)
23 financial resources, (2) stakeholder ownership, and (3) institutional framework and governance.
24 Moreover, the guidelines encouraged evaluators to include long-term monitoring plans that are
25 sustainable after project completion.⁹⁵
- 26 • The International Waters Task Force has produced a consensus-based indicator frameworks at both
27 project and program level. The framework identifies process indicators, stress reduction indicators, and

⁹³ In line with international best practice, and for the sake of clarity and standardization, the May 2003 “Guidelines for Implementing Agencies to conduct Terminal Evaluations” suggests IAs use a six scale rating system in terminal evaluation reports for the achievement of sustainability (“Highly Satisfactory” (HS), “Satisfactory” (S), “Moderately Satisfactory” (MS), “Moderately Unsatisfactory” (MS), “Unsatisfactory” (U), and “Highly Unsatisfactory” (HU)).

⁹⁴ Annual Performance Report 2004: Draft I, Global Environment Facility Office of Monitoring & Evaluation, April 22, 2005.

⁹⁵ Global Environment Facility Guidelines for Implementing Agencies to conduct Terminal Evaluations,

1 environmental status indicators.⁹⁶ Work on using this framework for aggregating the indicators at
2 program-level (OP 8 and 9) is almost completed, and the program indicators framework being finalized
3 also contains indicators for projects under OP 10.⁹⁷

- 4 • The Land Degradation Task Force has developed a paper and series of steps to develop a set of
5 indicators for activities related to the land degradation focal area.⁹⁸
- 6 • The development of indicators for GEF-funded impacts on pressures and behaviors affecting
7 biodiversity is ongoing. The interagency Biodiversity Task Force is continuing its work on indicators for
8 each biodiversity strategic priority.⁹⁹
- 9 • UNDP/GEF is leading the development of capacity development indicators, with the goal of developing
10 a framework and model indicators for tracking capacity development results and impacts in all 22
11 Strategic Priorities identified in the Business Plan.¹⁰⁰

12 4.2 Strategic Tradeoffs

13 *Results vs. conditions*—while the GEF strives to monitor and report on project results, assessing sustainability
14 requires an explicit, dedicated focus of a slightly different kind. More than outputs and outcomes, it is the
15 *conditions* that are needed to foster sustainability that must be monitored and reported on, since it is the fragile
16 balancing of those conditions—which are ever-changing—on which the persistence of environmental
17 benefits depends.

18 *Ex-post project evaluations vs. time and costs.* To better determine the extent to which sustainability has been
19 achieved across the entire GEF portfolio, systematic ex-post monitoring of some kind is needed, as is an
20 information management system for tracking those results. Whether the GEF chooses to develop the
21 necessary tools and indicators and devote the necessary resources to such endeavors will depend on the
22 priority to which the GEF attributes sustainability.

23 *Environmental vs. development objectives*—as discussed, a balance must be reached or tradeoffs must be made in
24 order to achieve sustainable environmental and development (poverty reduction) goals within GEF
25 projects/programs. “Win-win” gains in both development and global environmental goods are rarely
26 possible, and project designs must recognize this.

27 *Broad country focus vs. prioritizing political will*—given that political will is a necessary ingredient for achieving
28 sustainability in any GEF project/program, focus should be placed on those countries where political will
29 exists over those where it does not exist. In those countries where political will is not sufficient, efforts should
30 be spent on building political will, not on actual projects. The RAF’s consideration of a “trigger” that
31 incorporates an assessment of, “macro policy/ governance” in the country performance indicator is a step in
32 this direction.¹⁰¹

33 *Local vs. national vs. global priorities*—priorities may vary at the national and local levels (as demonstrated in the
34 text box on indigenous peoples), as well as at national and global levels. OPS3 found that global
35 environmental priorities, as advanced by the GEF, may not be consistent with country priorities (e.g., of

⁹⁶ Monitoring and Evaluation Indicators for GEF International Waters Projects, Monitoring and Evaluation Working Paper 10, November 2002.

⁹⁷ Measuring and Demonstrating Impact: UNDP/GEF Resource Kit (No. 2). WORK IN PROGRESS. March 2005.

⁹⁸ Land Degradation Task Force, “Impact indicators for the land degradation focal area: a suggested process for their development,” August – September 2004.

⁹⁹ Measuring and Demonstrating Impact: UNDP/GEF Resource Kit (No. 2), WORK IN PROGRESS, March 2005.

¹⁰⁰ Measuring and Demonstrating Impact: UNDP/GEF Resource Kit (No. 2). WORK IN PROGRESS. March 2005.

¹⁰¹ Discussion note on the Resource Allocation Framework, February 22, 2005; Presented at the GEF Intercessional Council Document in Paris, France, on March 2, 2005.

1 poverty alleviation); too often, country focal points approve GEF projects that are not inline with country
2 priorities, but are good funding opportunities to accomplish important activities. In such cases, political will
3 and, therefore, sustainability is undermined. (See Section 5.2 for more details.)

4 *In-country consultants to build local capacity vs. international consultants to get job done faster*—stakeholders interviewed
5 during OPS3 field visits repeatedly highlighted the need for in-country consultants to be used in GEF
6 projects, where available, in order to build and sustain the necessary technical capacity. Often this opportunity
7 to build capacity is forgone in favor of international consultants who can get the job done faster, within short
8 project timeframes.

9 *Flexibility (adaptive management) vs. accountability*—while adaptive management is needed to adapt to changing
10 circumstances and new information, it can be difficult to work into logframes. Adherence to logframes helps
11 ensure IA/EA accountability. The need for enhanced flexibility in project management has been
12 acknowledged and attempted to be addressed, but based on field input, more work is needed in this area.

13 *Project focus vs. sustainability focus*—current emphasis on project approval places most of the effort on the
14 individual project. By incorporating the key factors in the design of the project, and by planning for
15 sustainability, sustainability of outputs and outcomes can be improved.

16 *Participation of vulnerable groups in policy vs. practice*—Despite GEF’s guidelines on marginalized groups and
17 stakeholder participation, greater attention is needed to address the concerns and rights of indigenous
18 peoples, and to more strongly consider gender issues in project design and implementation (particularly in
19 rural, community-based projects).

20 **4.3 Recommendations**

21 To better assess the extent of actual or likely sustainability, OPS3 recommends the following:

- 22 • *Sharpen focus on sustainability at project level.* The multidimensional and dynamic nature of sustainability must
23 be accounted for in GEF projects through project documentation at all stages. Project design,
24 implementation, and evaluation should explicitly consider sustainability and report on the conditions
25 relevant to all of its dimensions: political and local will, financial factors, design factors, and management
26 factors. Thus, for example, project design documents should systematically address sustainability at all
27 dimensions and include an exit strategy that is appropriate. Similarly, PIRs should systematically report
28 not only on the level of financing received to date, but on levels of financing secured for future, or on
29 any efforts undertaken to secure next-phase financing; stakeholder participation should be reported in
30 terms of how attitudes and behaviors have changed, not simply on the number of workshops or meetings
31 held. Such changes will keep the focus of project actors on the long-term goals of the project, and allow
32 them to adaptively change course as needed, to stay on track. Likewise, evaluators should be required, not
33 encouraged, to address aspects of sustainability. Biodiversity projects that require alternative livelihoods
34 should attempt to report not just on what alternatives have been provided, but on whether those
35 alternatives are equal or better than peoples’ livelihoods prior to the project. This type of information
36 would enable the GEF to develop a better sense of likely sustainability at project end. Recent and
37 ongoing GEF work to establish indicators can help in this area.
- 38 • *Sharpen focus on sustainability at higher level.* If the GEF is serious about achieving sustainability, then more
39 resources must be devoted to achieving it. OPS3 recommends that the GEF consider establishing a
40 “Sustainability Team” within the GEF Secretariat to promote sustainability of GEF benefits on a
41 permanent basis. Such a team could explore sustainability indicators for use in project documents, so that
42 ongoing projects stay on track to achieve sustainability and completed projects can be assessed based on
43 likelihood of sustainability. In addition, the Sustainability Team should conduct systematic ex-post
44 monitoring of random samples of GEF projects that have been completed for several years (e.g., 5 or 10
45 years), as is currently done by the QAG for Bank projects, and is anticipated to be done by the OME in

1 2006. The Sustainability Team should also be responsible for the tracking and compiling of information
2 on likely and actual sustainability achieved by the GEF portfolio at various levels of aggregation.

3 Based on what is known about key factors for sustainability, the following action-items should also be
4 considered to better promote the sustainability of global environmental benefits:

- 5 • *Continue to enhance political will through country ownership.* To promote greater country ownership/drivenness,
6 more work is needed to equip countries with necessary tools and capacity. To this end, IAs should place
7 continued emphasis on activities designed to mainstream environment at the national level and to
8 strengthen focal points. Further support is also needed to help country governments develop clear
9 strategies and priorities for GEF funding that are transparent to other IAs, NGOs, and other sources of
10 project concepts. (See TOR 4E for more information.)
- 11 • *Capitalize on and build local capacity.* Require the use of local experts, with training if necessary, and ensure
12 that capacity is not narrowly held to promote sustainable institutional and technical capacity. Where
13 sufficient local capacity is not available, ensure that outside expertise is channeled to local entities.
- 14 • *Facilitate greater financial sustainability.* Greater financial sustainability can be promoted for activities initiated
15 under GEF projects by assisting IAs, countries, NGOs, and other partners in procuring co-financing for
16 projects and other funding for post-project activities, as well as replication or scaling up. For example, the
17 GEF SEC could maintain a clearinghouse of information on donors and their associated interests. The
18 GEF should also continue its initiatives to develop a strategy for private sector engagement.
- 19 • *Strengthen practices regarding vulnerable groups.* To foster sustainability, it is critical that the GEF more
20 strongly consider the needs, rights, and concerns of indigenous groups, especially in protected area
21 projects, where problems have been most noted. Updating the GEF to be in harmony with existing
22 international standards and best practice on indigenous peoples and conservation (i.e. CBD decisions and
23 work programs, IUCN Guidelines, Durban Action Plan and Durban Recommendations) is the
24 appropriate next step. Additionally, opportunities to better incorporate gender considerations into project
25 design and implementation should be maximized by increasing knowledge-sharing of successful project
26 approaches to do so (see TOR 5D for more specific recommendations on knowledge management).

27 **5. Cross-Cutting Factors Contributing to Global** 28 **Environmental Benefits**

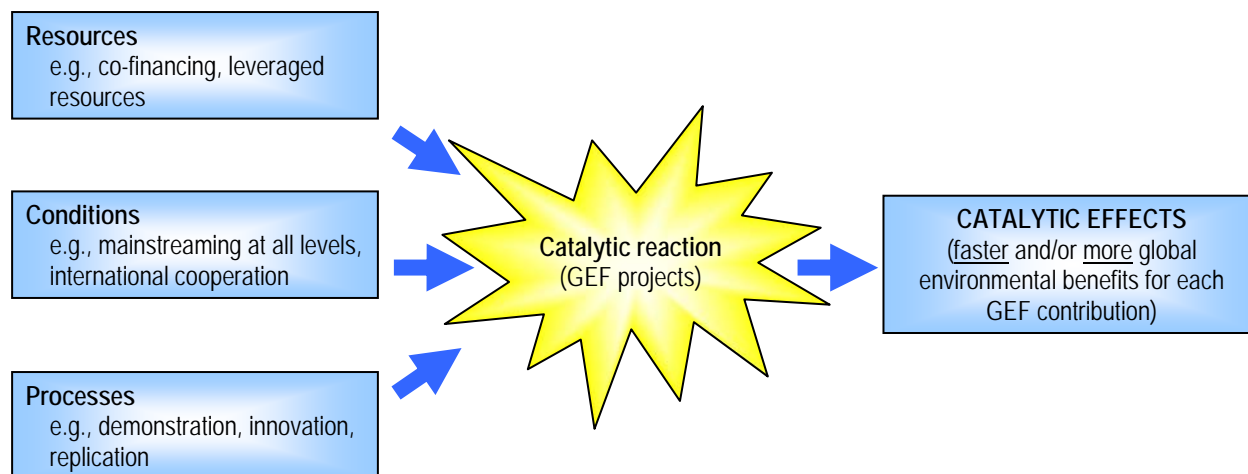
29 The term “catalyst” is taken from the field of chemistry, where a catalyst is a material that enhances the rate
30 of reaction between chemical reagents to yield a higher quantity of the desired end product – catalysts are
31 added in small quantities compared to other inputs in the reaction. In a similar way, the GEF attempts to
32 create catalytic effects by using its limited funds to produce faster and/or more global environmental benefits
33 than it could produce on its own. As is stated in its strategic considerations, the GEF finances actions that
34 “catalyze complementary actions or have a multiplier effect.” The GEF can create catalytic impacts by
35 increasing resources, fostering conditions, and/or encouraging processes that lead to the faster or greater
36 achievement of global environmental benefits.

37 This chapter explores the extent to which GEF has achieved catalytic impacts, and the factors that lead to
38 effective catalysis. Specifically, Section 5.1 provides a discussion on the extent of catalytic effects, based on
39 historical and current evidence, and describes the factors that influence each mechanism of catalysis singled
40 out in the TOR. Section 5.2 presents the strategic tensions related to enhancing the catalytic impacts of the
41 GEF, and Section 5.3 presents OPS3 recommendations.

42 **5.1 The GEF as a Catalyst (TOR 3A)**

1 TOR 3A specifies four mechanisms for catalytic action and asks to what extent the GEF has been successful
 2 in fulfilling them: (1) leveraging additional resources from the public and private sector; (2) catalyzing results
 3 by innovation, demonstration, and replication; (3) fostering international cooperation on environmental
 4 issues; and (4) mainstreaming of environmental issues into partner institutions. These four GEF mechanisms
 5 represent categories of resources, types of conditions, and selected processes that can lead to catalytic
 6 reactions and improved effectiveness (i.e., faster and/or more global environmental benefits than could be
 7 realized through GEF alone). In particular, leveraging is a way for the GEF to augment resources;
 8 international cooperation and mainstreaming are ways for the GEF to foster favorable conditions; and
 9 innovation, demonstration, and replication are ways for the GEF to create processes—all of which, if
 10 successful, can produce the desired catalytic effects, as shown in Exhibit 5-1.

11 **Exhibit 5-1. GEF Mechanisms for Producing Catalytic Effects**



12
 13 Before presenting the historical context and current evidence, a brief introduction on each of these four areas
 14 that can potentially lead to catalytic effects is provided.

15 *Leveraging* refers to the amplification of resources or, more specifically, to the GEF’s ability to attract
 16 cofinancing from public and private sectors, as well as other resources that are beyond those committed to
 17 the project itself. The terms “cofinancing” and “leveraged resources” are defined in **Annex C** (Co-financing
 18 Policy for GEF Projects). Accordingly, “cofinancing” is “the project resources that are committed by the
 19 GEF agency itself or by other non-GEF sources and which are essential for meeting the GEF project
 20 objectives,” and “leveraged resources” are “additional resources – beyond those committed to the project
 21 itself – that are mobilized later as a direct result of the project, e.g., for further replication or through
 22 programmatic influence.” One aspect of cofinancing and leveraging that has received increasing attention in
 23 the GEF in recent years is the extent of private sector involvement. Two GEF Council papers developed in
 24 the late 1990s laid down some essential objectives and principles related to private sector involvement,¹⁰²
 25 outlining that the GEF would provide incentives to private sector entrepreneurs to invest in ventures
 26 designed to create global environmental benefit, and support activities to help make policy and regulatory
 27 frameworks conducive to more environmentally sound private sector investments. These documents,
 28 however, did not specify several critical issues, such as the objectives of engaging the private sector, the use of

¹⁰² GEF Strategy for Engaging the Private Sector, GEF/C.7/12, March 7, 1996; Engaging the Private Sector in GEF Activities, GEF/C.13/Inf.5, April 22, 1999.

1 appropriate modalities of support, or the GEF policy on risk-sharing.¹⁰³ These issues still remain to be
2 resolved.

3 *Innovation, demonstration, and replication* are processes that can foster catalytic impacts. Specifically, successful
4 environmental innovations proven through demonstration, be they technologies or approaches, can serve as a
5 mechanism for catalysis by reducing the private risk for others and, thereby, paving the way for increased
6 adoption—or replication. According to the Office of M&E (OME) (2005), “replication” is defined as
7 “lessons and experiences coming out of the project that are replicated or scaled up in the design and
8 implementation of other projects.” Replication can have two aspects: (1) replication proper, when lessons and
9 experiences are replicated in different geographic areas; or (2) scaling up, when lessons and experiences are
10 replicated within the same geographic area but funded by other sources. Examples of replication include:
11 knowledge transfer, including the dissemination of lessons through project result documents, training
12 workshops, information exchange, national and regional forums, etc.; expansion of demonstration projects;
13 capacity building and training of individuals and institutions to expand projects’ achievements in the country
14 or other regions; and/or the use of project-trained individuals, institutions or companies to replicate projects’
15 outcomes in other regions.¹⁰⁴

16 *International cooperation* is a condition that can produce catalytic impacts by leading to continued action once
17 GEF funding has come to an end. Indeed, GEF’s strategic considerations state that the GEF is to “examine
18 the role it might play in facilitating and promoting international cooperation, thereby leveraging GEF
19 financing to address global environmental objectives in a multi-country and multi-actor context.”

20 *Mainstreaming* is another condition that can produce catalytic impacts through the integration of
21 environmental considerations into operations—be they IAs, EAs, or national governments. In this section,
22 OPS3 primarily focuses on mainstreaming at the national level, which broadly refers to the mainstreaming of
23 environmental issues into economic sectors and development strategies, programs, and policies. More
24 specifically, mainstreaming can mean different things across focal areas, as implied by the recommended areas
25 by OME for assessing mainstreaming.¹⁰⁵ In particular, mainstreaming in the biodiversity focal area entails the
26 improvement of enabling environments through adopting effective policies, building institutional capacity,
27 increasing public awareness, appropriately involving stakeholders, promoting conservation and sustainable
28 use research, providing incentives for conservation, and the like; mainstreaming in the climate change focal
29 area entails the transformation of markets through enabling policy environments, disseminating information,
30 and promoting awareness; and mainstreaming in the international waters focal area entails assisting countries
31 to develop policy, legal, and institutional frameworks to address transboundary stresses. Successful
32 mainstreaming leads to catalytic effects as the environment is considered in decisions that affect a country’s
33 broader economic and sociopolitical landscape, thus producing additional environmental benefits in the near-
34 and long-term. Successful mainstreaming requires political will, as discussed in detail in Section 4.

35 The remainder of this section presents the historical context and current evidence related to the extent of
36 catalytic impacts achieved by the GEF.

37 **5.1.1 Historical Context**

38 Within GEF’s 1996 Operational Strategy, Operational Principle 9 most directly addresses the desired catalytic
39 role of GEF, as it states: “In seeking global environmental benefits, the GEF will emphasize its catalytic role

¹⁰³ Report of the Monitoring and Evaluation Unit, GEF/C.23/3, April 21, 2004.

¹⁰⁴ Global Environment Facility Guidelines for Implementing Agencies to conduct Terminal Evaluations, March 4, 2005.

¹⁰⁵ Global Environment Facility Guidelines for Implementing Agencies to conduct Terminal Evaluations, March 4, 2005.

1 and leverage funding from other sources.” Other approaches to a catalyst role are mentioned in the strategy,
2 including a strategic consideration to “facilitate effective responses by other entities to address global
3 environmental issues.” To address these strategic considerations, the GEF planned to encourage
4 involvement of both government and private sector agencies to achieve global environmental benefits; and
5 leverage additional financing through the private sector, the promotion of international cooperation, the
6 encouragement of co-financing from organizations and foundations, and the support of innovative financing
7 approaches that will meet recurring project costs. Although very finance-centered in this 1996 expression,
8 the catalytic factors of leveraging, mainstreaming, and fostering international cooperation were all recognized
9 early.

10 A number of GEF studies have documented the historical success realized and challenges faced by the GEF
11 in achieving catalytic impacts, including OPS1 and OPS2. The highlights of these reports are presented
12 below, by catalytic component:

13 **Leveraging**

14 OPS2 found that that most private sector involvement in the GEF had been in transitional economies, and
15 that many opportunities remained unexploited, and many barriers prevented a wider engagement of the
16 private sector.¹⁰⁶ To remedy this, OPS2 recommended that clear guidelines be developed on new modalities
17 for private sector involvement. In May 2002, the GEF council requested the GEF Secretariat to prepare a
18 Private Sector Strategy, and a review of private sector engagement was initiated at the end of 2002 by the
19 M&E Unit.

20 In terms of cofinancing, OPS2 found that “opportunities to leverage GEF funds in ways that could mobilize
21 large amounts of additional private capital resources, especially for high-risk, but potentially commercially
22 viable projects in the climate change portfolio were not adequately pursued.”¹⁰⁷ To improve co-financing
23 levels, OPS2 suggested that each IA and EA explicitly describe in project documents how it will be
24 accountable for bringing a significant level of total co-financing into each new project. Moreover, OPS2
25 found that the database for reporting on cofinancing was weak, in part because there was no clearly
26 articulated or well-accepted definition of the term “cofinancing,” and in part because cofinancing
27 commitments are not monitored on a systematic basis. Overall, OPS2 described cofinancing levels as
28 “surprisingly modest, particularly since only a few projects account for most of the total cofinancing
29 generated under the completed projects.”¹⁰⁸

30 In terms of the private sector, involvement in the GEF has historically been most common in one of three
31 forms: (1) as a supplier and/or advisor to GEF funded projects; (2) in co-financing arrangements and as a
32 recipient of grant and non-grant GEF financing; and (3) as the intended beneficiary of barrier removal for
33 private sector activities in environmental markets in developing countries, such as renewable energy.¹⁰⁹

34 **Innovation, demonstration, and replication**

35 OPS1 suggested a study be conducted on the replicability of GEF projects. OPS2 was cautious in its
36 assessment of replication, noting that: “It is difficult to ascertain the extent of replication since it is not being
37 systematically monitored in the GEF.”¹¹⁰ Yet, OPS2 found some encouraging evidence from completed and
38 ongoing projects. For example, in the biodiversity focal area, a number of GEF projects attracted the

¹⁰⁶ OPS2, p. 70

¹⁰⁷ OPS2, p. 69.

¹⁰⁸ OPS2, p. 66.

¹⁰⁹ Enhancing GEF'S Engagement with the Private Sector, GEF/C.22/Inf.10. November 5, 2003.

¹¹⁰ OPS2. p. 67-68.

1 positive attention of governments, conservationists, and local populations, which led to some replication of
2 project activities elsewhere.

3 **International Cooperation**

4 OPS2 noted the important role of Transboundary Diagnostic Analyses (TDAs) and Strategic Action
5 Programs (SAPs) in facilitating international agreements to protect international waters, i.e., promoting
6 international cooperation.¹¹¹

7 **Mainstreaming**

8 OPS1 focused on mainstreaming at the IA level, noting various areas for improvement for each IA. Four
9 years later, OPS2 found that all three IAs had “made reasonable efforts to mainstream *global* environmental
10 issues into their operational programs,” and noted that the two development assistance agencies, UNDP and
11 the World Bank, had made significant progress in “helping countries assess *national* and *local* environmental
12 issues and establish national and local priorities in national development strategies, programs, and
13 projects.”¹¹²

14 At the country level, OPS2 found that many ministries showed awareness of global environmental issues at
15 the national level.¹¹³ In addition, OPS2 also found that GEF projects resulted in increased awareness and
16 knowledge at local and/or regional levels—which can help foster mainstreaming at the national level (as
17 discussed in more detail further on). Indeed, OPS2 found that biodiversity projects created increased
18 conservation awareness and understanding among various stakeholders, including local communities, NGOs,
19 decision makers, and political leadership; that land degradation projects resulted in increased awareness at the
20 community level;¹¹⁴ and that, through the process of conducting TDAs and developing SAPs, IW projects
21 have been “instrumental” in advancing local and regional knowledge related to various water systems.¹¹⁵

22 Earlier studies have also found evidence of successful mainstreaming from GEF projects. In particular, the
23 1999 Interim Assessment of Biodiversity Enabling Activities (Evaluation Report #2-99) found that some BD
24 enabling activities had successfully promoted the establishment of new institutional arrangements and raised
25 the profile of biodiversity within government.¹¹⁶

26 **5.1.2 Current Evidence**

27 Since OPS2, a number of actions have been taken to sharpen the GEF focus on catalysis. For example, many
28 of the Strategic Priorities established for focal areas specifically target mechanisms for catalytic effects, such
29 as:

- 30 • BD-2: Mainstreaming Biodiversity in Production Landscapes and Sectors
- 31 • CC-2: Increased Access to Local Sources of Financing for Renewable Energy and Energy Efficiency
- 32 • CC5: Global Market Aggregation and National Innovation for Emerging Technologies
- 33 • IW-1: Catalyzing Financial Resources for Implementation of Agreed Actions

¹¹¹ OPS2, p. 37.

¹¹² OPS2, p. 62.

¹¹³ OPS2, p. 74.

¹¹⁴ OPS2, p. 39.

¹¹⁵ OPS2, p. 35.

¹¹⁶ Interim Assessment of Biodiversity Enabling Activities, Evaluation Report #2-99, December 1999.

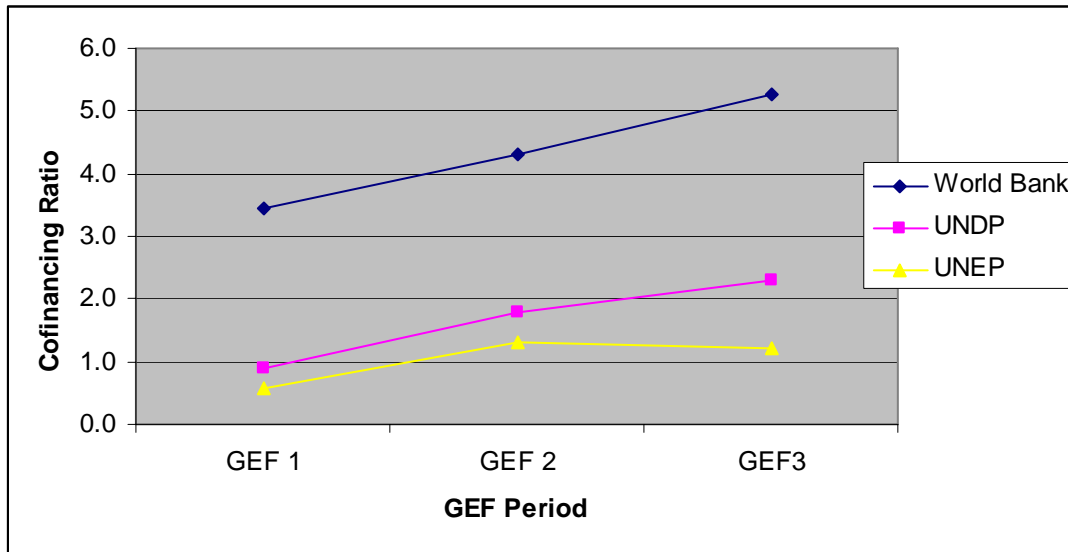
- 1 • IW-2: Expand Global Coverage with Capacity Building Foundational Work (to facilitate initial
- 2 multicountry collaboration)
- 3 • IW-3: Undertake Innovative Demonstrations for Reducing Contaminants and Addressing Water Scarcity
- 4 • POP-3: Demonstration of Innovative and Cost-Effective Technologies
- 5 • SLM-2 Implementation of Innovative and Indigenous Sustainable Land Management Practices
- 6 In addition, several strategic priorities target capacity building (e.g., BD-3, POP-1, CB-1, CB-2), the
- 7 dissemination of best practices (e.g., BD-4), market transformation (e.g., CC-1), and policy/regulatory
- 8 reforms (e.g., CC-3, POP-2)—all of which are aspects of mechanisms for catalytic effects, are discussed
- 9 below.

10 Other evidence pertaining to each of the four mechanisms for catalysis are presented below.

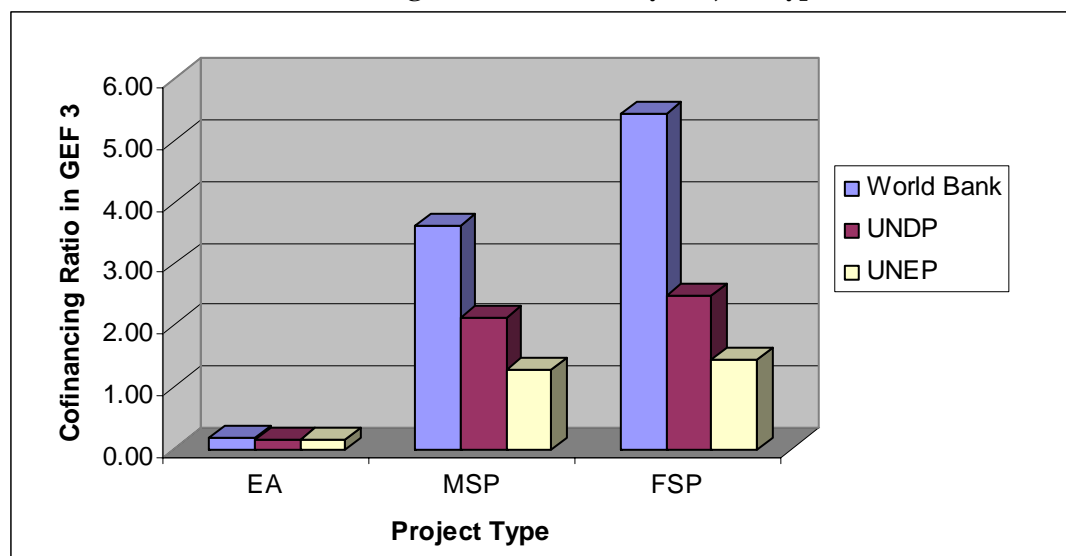
11 **Leveraging: Extent**

12 The GEF maintains a robust data set on planned cofinancing, based on which trends can be analyzed.
 13 Exhibit 5-2 and Exhibit 5-3 present data on planned cofinancing, as of March 2005. All data presented here
 14 excludes cofinancing levels for projects implemented jointly by implementing agencies.

15 **Exhibit 5-2. Planned Co-financing Ratios Over Time, by Implementing Agency^a**



16
 17 ^a Excludes projects implemented jointly by IAs.

1 **Exhibit 5-3. Planned Cofinancing Ratio in GEF 3, by Project Type^a**

2
3 ^a Excludes projects implemented jointly by IAs.

4 **Exhibit 5-4. Planned Cofinancing Dollars and Percent, by IA^a**

	GEF 1		GEF 2		GEF 3		Total	
	US\$ (millions)	Percent	US\$ (millions)	Percent	US\$ (millions)	Percent	US\$ (millions)	Percent
World Bank	\$1,452	81%	\$8,182	87%	\$2,254	63%	\$11,890	80%
UNDP	\$310	17%	\$1,058	11%	\$1,149	32%	\$2,518	17%
UNEP	\$28	2%	\$173	2%	\$180	5%	\$381	3%
Total	\$1,790		\$9,413		\$3,583		\$14,788	

5 ^a Excludes projects implemented jointly by IAs.

6 As shown, the World Bank is responsible for attracting the lion's share of cofinancing, representing over 60%
7 of the planned cofinancing raised in GEF III, and approximately 80% since GEF's inception. This is
8 expected, given the World Bank's comparative advantage relative to the UN agencies in macro-economic and
9 private sector strategies.¹¹⁷ Moreover, UNEP and, to a lesser extent, UNDP, do not have the ability to
10 provide their own co-financing (a reflection of tight UN budgets), and also have fewer opportunities than the
11 World Bank to secure bilateral contributions, as a result of limited human resources and financial leverage.

12 As presented in Exhibit 5-2, however, planned cofinancing ratios have been increasing among all IAs over
13 time, with the exception of UNEP (which is flat between GEF-2 and GEF-3) in recent years. Growing
14 cofinancing ratios suggests that GEF's catalytic effects are increasing over time. In addition, this overall trend
15 supports the M&E finding that competence on business finance matters has increased in UNDP and UNEP.
16 ¹¹⁸

17 Exhibit 5-3 demonstrates that IAs leverage nearly equal levels of cofinancing for enabling activities, and that
18 the greatest disparity in terms of IA cofinancing levels is in the full-sized projects. The World Bank's lead in
19 raising cofinancing for FSPs is explained by the fact that the Bank specializes in large projects with economies
20 of scale.

¹¹⁷ Additionally, the World Bank often credits as co-financing the funding for large development projects with which GEF funds are commingled, as discussed further in Section 5.3.

¹¹⁸ Report of the Monitoring and Evaluation Unit, GEF/C.23/3, April 21, 2004.

1 Although data on planned cofinancing is readily available, it is difficult to determine with certainty what the
2 actual extent of leveraging is, given that current GEF information management systems do not systematically
3 track actual cofinancing amounts or leveraged resources. Numerous studies have noted the need for better
4 tracking of leveraged resources and more systematic reporting on indicators of investments, so that the GEF
5 can monitor its performance in these areas.¹¹⁹ Indeed, not only does the GEF lack a system to compile and
6 track this data across its portfolio, but the information is not readily available on a project-by-project basis,
7 either. Currently, individual IA terminal evaluation reports (TEs) are very weak in terms of presenting actual
8 project costs and cofinancing—especially those prepared by UNDP and UNEP; according to the OME
9 (2005), only one out of six (17%) UNDP reports, and two out of nine (22%) UNEP reports prepared in
10 FY04 included a satisfactory presentation of the actual project costs and cofinancing.¹²⁰ Conversely, 8 of 11
11 (73%) World Bank implementation completion reports (ICRs) prepared in FY04 reported satisfactorily on
12 actual project costs and cofinancing used.¹²¹

13 OPS3 also reviewed the TEs from FY04, and found that reporting on leveraging was not only inconsistent in
14 terms of the quality, quantity, and presentation of data, but that there is usually no clear distinction made
15 between what constitutes “cofinancing” versus “other leveraged resources.” It is apparent that additional
16 guidance is needed for the preparation of TEs.

17 Of course, how planned cofinancing levels compare to actual levels is of great importance. The 2002 PPR
18 stated that, among SMPR projects, co-financing exceeded the estimates at project approval. According to
19 UNEP’s Project Implementation Reviews (PIRs), as summarized in the 2003 PPR, actual levels of co-
20 financing and leverage for the five projects that were subject to mid-term review or terminal review during
21 FY03 represented roughly 89% of proposed co-financing levels.¹²² Of course, the small size of this sample
22 limits the extent to which any findings can be extrapolated to the rest of the GEF portfolio.

23 In terms of non-financial *leveraging*, however, GEF partners have brought a wealth of value to GEF projects,
24 in the form of technical expertise, management capacity, equipment and technology, and other in-kind
25 contributions. GEF partners have included NGOs, government agencies, regional and national institutions,
26 Implementing and Executing Agencies, and private sector entities. Partnerships can lead to continuing
27 activity by partners once GEF support ends (i.e., financial sustainability), as has often been the case with
28 government partners. Indeed, OPS3 found evidence GEF projects that led to government commitment and
29 resources (i.e., staff and budget) to continue activities and support replication in multiple localities.¹²³
30 Similarly, OPS3 found evidence of new partners being brought onboard in large phased programs, such as
31 the multi-focal area GEF/China partnership on land degradation in dryland ecosystems, developed by ADB
32 in conjunction with the Chinese government. This US \$1.5 billion project, of which the GEF will contribute
33 US \$150 million, will receive financial support from multilateral and bilateral partners following the initial
34 project phase (focused on technical and institutional capacity building and development of appropriate legal
35 frameworks).¹²⁴ This and other in-kind contributions and partnerships with the scientific, academic, industry,
36 and NGO communities have demonstrated that the GEF possesses great catalytic power to create
37 momentum for others to build on.

¹¹⁹ E.g., 2002 PPR; Annual Performance Report 2004: Draft I, Global Environment Facility Office of Monitoring & Evaluation, April 22, 2005.

¹²⁰ According to M&E, effective financial plans include: (1) identification of potential sources of co-financing and leveraged and associated financing; (2) strong financial controls, including reporting and planning; and (3) due diligence in the management of funds and financial audits. (Source: Global Environment Facility Guidelines for Implementing Agencies to conduct Terminal Evaluations. March 4, 2005).

¹²¹ Annual Performance Report 2004: Draft I, Global Environment Facility Office of Monitoring & Evaluation, April 22, 2005.

¹²² 2003 PPR.

¹²³ Field interviews regarding Russian Federation BD, CC and IW projects; and Brazil BD projects.

¹²⁴ Interview with OP12 Review authors, April 2005

1 Partnerships involving the *private sector* have not been as numerous or catalytic as desirable. According to the
2 2004 M&E report, as of June 30, 2002, only 60 of the 621 (10%) regular and medium-sized GEF projects
3 under implementation involved cooperation with the private sector beyond procurement of goods and
4 services.¹²⁵ Moreover, the private sector's role in cofinancing has also been weak, with approximately 87 per
5 cent of the total co-funding committed to these projects (US\$ 2.138 million) having been proposed to come
6 from donor organizations, recipient governments, and other public sector sources. In fact, private sector
7 cofinancing—which totaled US\$ 391 million—was proposed for only about 20 projects (i.e., 3% of
8 projects).¹²⁶ In an earlier informational report prepared by M&E (GEF/C.22/Inf.10), it was reported that the
9 majority of GEF private sector activities had been in the climate change focal area, with a smaller number in
10 biodiversity, and even fewer in international waters. Such activities included projects in renewable energy,
11 energy efficiency, ecotourism, commodity-based agroforestry, and payment for environmental services.¹²⁷

12 One example of an effective strategy for the GEF in catalyzing participation by the private sector is the
13 UNEP-supported geothermal energy development project in Kenya. In this project, GEF helped introduce
14 new technologies and practices so that the electricity generating company could drastically lower its
15 prospecting and development costs for geothermal energy, thereby lowering the overall costs of developing
16 this new source of renewable energy. This capacity building project has resulted in substantially lowering the
17 technical and financial risk associated with developing new sources of electricity generation, which could be a
18 key element in obtaining further private investment in renewable energy development in Kenya. This project
19 is an example of the GEF's ability to target fairly limited resources in an area where there is specific technical,
20 financial or other risk that is preventing independent market-driven action, and where the GEF role could be
21 limited, cost-effective, and catalytic. Further, by demonstrating the value of this approach and lowering the
22 financial risk for other players in the market, this project is an example of how successful innovation and
23 demonstration can lead to replication. Indeed, this approach could be highly replicable across the Rift Valley
24 region, where similar untapped sources of geothermal energy are present.

25 Overall, a 2004 M&E report found that it is not possible to draw a firm conclusion about the degree to which
26 GEF projects have been successful in leveraging private sector financial risk-taking, given the term “leveraged
27 funding” has not been well defined in the context of private sector investments, and that reporting on
28 leveraging has not been systematic.¹²⁸ In particular, while co-funding is mostly decided at the stage of GEF
29 allocation, contributions by the private sector (including investments related to the GEF project objectives by
30 financial intermediaries, equity investments, etc.) are sometimes decided at later stages, and are considered to
31 be “leveraged funding.”¹²⁹ As discussed above, the OPS3 review of the 25 projects for which terminal
32 evaluations were prepared in FY04 demonstrated the wide variation in financial reporting, and the difficulty
33 in discerning what constitutes actual “cofinancing” versus other “leveraged resources.”

34 In recent years, GEF entities have explored the development of a more targeted approach to engage the
35 private sector. For example, in April 2004, the OME released an information paper on “Review of GEF
36 Engagement with the Private Sector: Final Report” (GEF/C.23/Inf.4). In response to this report, GEF
37 management requested the Secretariat to better articulate a private sector strategy, in collaboration with the
38 IAs and EAs, and in consultation with private sector stakeholders. Discussion is ongoing on this issue, but a
39 clear, focused GEF strategy for engaging the private sector is not yet in sight. And until such a strategy is
40 defined, opportunities will be lost. For example, OPS3 learned about a pulp and paper producer in Africa
41 that proposed a GEF project that would have used proprietary new technology from the United States to
42 burn waste, which would reduce overall waste generation and allow for the export of electricity. While this

¹²⁵ Report of the Monitoring and Evaluation Unit, GEF/C.23/3, April 21, 2004.

¹²⁶ Report of the Monitoring and Evaluation Unit, GEF/C.23/3, April 21, 2004.

¹²⁷ Enhancing GEF'S Engagement with the Private Sector, GEF/C.22/Inf.10. November 5, 2003.

¹²⁸ Report of the Monitoring and Evaluation Unit, GEF/C.23/3, April 21, 2004.

¹²⁹ Report of the Monitoring and Evaluation Unit, GEF/C.23/3, April 21, 2004.

1 project involved an element of “non-commercial risk” that could have warranted GEF funding, the GEF
2 declined to support this project because of its risk.

3 **Leveraging: Factors**

4 The high cofinancing levels raised by the World Bank have been made possible given the fact that, as a bank,
5 it can both provide and attract large sums of financing. However, it should be underscored that larger
6 amounts of financing do not necessarily in themselves lead to positive catalytic effects in the environment.
7 Indeed, evidence suggests that GEF financing in World Bank projects is often used to augment other funds
8 already committed to projects, which would go forward with or without GEF contributions. In such
9 projects, GEF funds typically account for a small proportion of the overall budget, and may translate into a
10 less influential role for the GEF (and its mission for sustainable global environmental benefits). Conversely,
11 when the GEF “leads” by providing a more significant share of project budgets, it can demand more.

12 One aspect of leveraging in which the GEF has been weak, is involvement of the private sector. A number
13 of recent GEF studies suggest that several factors must be addressed in order to enhance private sector
14 engagement—the most notable of which is appropriate operational modalities, which need to be more
15 expedient, flexible, and innovative to better meet the needs of the private sector. According to a November
16 2003 report submitted to Council, GEF decisionmaking processes and management culture need to be less
17 complex, less difficult, and less lengthy, to better match private sector practices. Moreover, the report found
18 that experimentation with innovative modalities, with increased flexibility and less reliance on precedence and
19 procedure, is needed to allow the GEF to better identify and exploit new possibilities. Modifying GEF’s
20 operational modalities in these ways will require shifts in GEF’s perceptions of and commitment to the
21 private sector, such that they be viewed as a key partner.¹³⁰ For example, GEF’s commitment may require
22 additional staff expertise in the financial area to address loan and risk guarantee modalities, which have been
23 seldom used.¹³¹

24 The OPS3 Team concurs with the above findings. Indeed, the OPS3 Team learned of a number of lost
25 opportunities for private sector partnerships due to the need to secure cofinancing commitments prior to
26 project approvals (as opposed to once projects are underway), and to the long time lags between project
27 submittal and approval, which are incompatible with business decision timeframes. Country focal points,
28 NGOs, IA representatives, and project staff in a number of countries noted the need for more flexibility in
29 co-financing requirements and accounting, to address these issues. Additional analysis is needed to better
30 understand how the timing of cofinancing commitments affects actual cofinancing received. In particular, if
31 cofinancing is committed once the project is underway instead of prior to approval, it is worth studying
32 whether (a) actual cofinancing is closer to the amount committed and/or (b) if actual cofinancing tends to
33 represent a higher proportion of overall project funding. Based on what OPS3 heard in the field, it is
34 speculated that greater amounts of cofinancing that are closer to planned amounts may be delivered if
35 commitments are made once projects are underway (when funders can consider a real project) versus prior to
36 project approval (when funders must consider projects in the abstract).

37 In addition, awareness and understanding of the GEF is another factor that influences private sector
38 engagement. OPS3 field visits revealed that visibility of the GEF among the private sector is extremely low.
39 Moreover, those private entities that do know about the GEF have had difficulties learning the “GEF
40 language” and understanding what procedures must be followed to operate within the GEF mechanism.
41 There is a need for greater emphasis on communication and outreach efforts vis-à-vis the private sector, and
42 for a simplified, streamlined approach to facilitate private sector involvement.

¹³⁰ Enhancing GEF’S Engagement with the Private Sector, GEF/C.22/Inf.10. November 5, 2003.

¹³¹ Review of GEF’s Engagement with the Private Sector 2004; interview with IA representative.

1 OPS3 found that more appropriate operational modalities are needed not just for the private sector, but for
2 the public sector as well, if cofinancing and leveraged resources are to be maximized. In particular, OPS3
3 heard from country focal points in the regional workshops that the time lag between project design and
4 approval is often longer than government budget cycles, which can make donors less willing or able to
5 commit to GEF projects. Similarly, OPS3 heard from NGOs in the regional workshops that the long project
6 cycles are in conflict with their shorter planning and budgeting cycles.

7 OPS3 field studies also uncovered a number of other issues and barriers regarding cofinancing. In particular,
8 meeting cofinancing requirements can be difficult, especially for LDCs and SIDS, where resources are not
9 available to commit to GEF projects (as discussed further in TOR 4F). Moreover, cofinancing can lead to
10 project implementation delay or political conflict, as evidenced by one biodiversity project in Argentina. In
11 this project, political tensions (and hence, project delay) resulted from the fact that GEF cofinancing was
12 secured in the form of a large land purchase (for conservation) by a foreign private investor.

13 Finally, another factor for leveraging resources is the ability to identify and secure potential funders or
14 partners for in-kind support. The more partnerships the GEF can foster with civil society, NGOs, the
15 private sector, academia, governments, etc., the more resources will be devoted to the cause, and the greater
16 the potential for catalytic effects. Stakeholders expressed the need for assistance in this area, noting that
17 GEF's international reach and contact network goes far beyond those of individual countries or
18 project/program proponents. GEF could help catalyze further leveraging by playing a greater role in
19 matching funders or partners with projects, as appropriate.

20 Currently, the GEF database is not robust enough to explore the extent to which different types of leveraging
21 (e.g., in-kind resources, additional grants/gifts, loans, etc.) have produced catalytic effects, and how different
22 factors influence different types of leveraging in different ways. Such analyses, if data become available,
23 would be worthwhile.

24 **Innovation, Demonstration, and Replication: Extent**

25 Development and demonstration of innovative technologies and methodologies that lead to replication is a
26 critical component of catalysis in the GEF. While replication is not equally applicable to all projects in the
27 GEF portfolio, many GEF projects have replication as one of their objectives or activities. For example,
28 replicability is highly relevant in the climate change sector, such as for energy efficient product market
29 transformations. Indeed, for such projects, the replication of outcomes is often the goal, which signals that
30 market barriers have been removed. Likewise, as recognized in the GEF Business Plan for FY04-06,
31 replication in the biodiversity focal area can be critical to move conservation beyond protected areas and into
32 production landscapes and sectors.

33 OPS3 found evidence of innovation, demonstration, and replication in a number of exciting projects,
34 including an SGP rural tourism project in Costa Rica, where as many as 24 community-based ecotourism
35 projects were stimulated with the help of GEF funds. The project's success may lead to yet further
36 replication, as the approach may be adopted in neighboring countries (see [Exhibit 5-5](#)). Likewise, the
37 GEF/UNDP Biomass Power Generation project in Brazil helped support analytical work and technology
38 development of biomass-gasifier/gas turbine power plant technology with sugarcane-derived biomass as fuel,
39 to reduce the use of fossil fuels and associated emissions of carbon dioxide. While the project did not lead to
40 the commercialization of the technology, due to cost-effectiveness issues, it did compel some mill managers
41 to begin using sugar cane waste for energy. Moreover, the project contributed significantly to capacity
42 development at the Copersucar Technology Center (CTC) in Brazil and across a wide range of stakeholders,

1 including government agencies, private industry, universities, and non-governmental organizations.¹³²

Exhibit 5-5. Catalytic Effects through Innovation, Demonstration, and Replication in Costa Rica

The Small Grants Programme project to develop the Costa Rica Community Tourism Association (ACTUAR) has produced notable catalytic effects. Established in 2001 to promote rural community tourism initiatives, by the time of the OPS3 field visit to Costa Rica in January 2005, the project had helped ACTUAR:

- Create a network involving more than 24 rural community tourism initiatives, and position them as a national rural community tourism association;
- Become a founding member of the Rural Tourism Alliance and help politically position the organization;
- Develop new alternative tourism activities and destinations;
- Develop a promotion plan;
- Create commercial alliances with national and international agencies; and
- Train affiliates in best environmental practices.

These activities have led to increased environmental awareness among local communities, entities within the country, and international travelers. Moreover, local livelihoods now rely on environmental preservation for success, ensuring that current and future pressures on the surrounding natural resources will be minimized.

Prior to ACTUAR, there was no market for rural- or community-based tourism in Costa Rica. ACTUAR’s promotion of this new form of tourism has added a distinct and important element to the industry, and it is being increasingly promoted by travel agencies in developed countries. The innovation, demonstration, and replication (scaling up) of this approach in 24 communities illustrates GEF’s ability to stimulate catalytic effects. Moreover, the catalytic impacts of this project may prove to be yet greater, as neighboring countries have expressed interest in developing rural/community-based and ecotourism industries in their own countries, in hopes of replicating Costa Rica’s economic success.

2
3 However, while OPS3 and previous GEF studies have documented successful examples of replication
4 throughout the GEF portfolio, a thorough assessment of the extent to which replication is (or is not)
5 occurring is not possible given the lack of comprehensive data on this topic. Currently, M&E guidelines
6 suggest that TEs for biodiversity and climate change projects report on the project’s “contribution to
7 replication or scaling up of innovative practices or mechanisms that support the project objectives.” For
8 international waters projects that involve demonstrations, M&E guidance also suggests that TEs report on
9 evidence of successful or likely replication, and assess whether demo selection was conducive to future
10 replication.¹³³ But project documents do not systematically report on replication, and the GEF database does
11 not systematically track any data on replication across the portfolio.

12 Based on a review of the 25 TEs prepared in FY04 by the OPS3 Team, eight (32%) reports included actual
13 ratings for replication, and an additional 11 (44%) included qualitative descriptions regarding actual or
14 potential replication. The remaining six (24%) did not provide any qualitative or quantitative information on
15 replication. Fortunately, all but one of the eight reports that rated replication scored “good” or better (with
16 one scoring “very good,” and four scoring “excellent”). These findings are summarized in Exhibit 5-6.

17 **Exhibit 5-6. Replication Ratings for 25 Projects with TEs in FY04**

Project Name	IA	Replication Rating
Bhutan Integrated Management of Jigme Dorji National Park (JDNP)	UNDP	Fair
Bulgaria - Energy Efficiency Strategy to Mitigate GHG (greenhouse gases) Emissions Energy	UNDP	NR

¹³² Terminal Evaluation Report for the Biomass Power Generation: Sugar Cane Bagasse and Trash project (ID #338), Brazil.

¹³³ Global Environment Facility Guidelines for Implementing Agencies to conduct Terminal Evaluations, March 4, 2005.

Project Name	IA	Replication Rating
Efficiency Zone in the City of Gabrovo		
Georgia - Conservation of Arid and Semi-arid Ecosystems in the Caucasus	UNDP	NR
Regional - Implementation of the Strategic Action Programme(SAP) for the Red Sea and Gulf of Aden	UNDP	NR
Uruguay - Consolidation of the Bañados del Este Biosphere Reserve	UNDP	NR
Madagascar - The Environment Program Phase II Project (Environment Program Support Project)	UNDP/ WB	NR
China - Lop Nur nature sanctuary biodiversity conservation project	UNEP	Excellent
Global - Development of best practices and dissemination of lessons learned for dealing with the global problem of alien invasive species (AIS) that threaten biological diversity.	UNEP	Excellent
Global - Promoting Best Practices for Conservation and Sustainable Use of Biodiversity of Global Significance in Arid and Semi-arid Zones	UNEP	Very Good
Global - Regionally-Based Assessment of Persistent Toxic Substances (RBA/PTS)	UNEP	Good/ Satisfactory
Global - Support to the Implementation of the Stockholm Convention on Persistent Organic Pollutants	UNEP	Excellent/ Highly Satisfactory
Kenya - Lake Baringo Community-based Integrated Land and Water Management Project	UNEP	Good
Regional - An Indicator Model for Dryland Ecosystems in Latin America	UNEP	Excellent
Regional - Development and Protection of the Coastal and Marine Environment in Sub-Saharan Africa	UNEP	NR
Regional - Initiating early phase out of methyl bromide (MB) in countries with economies in transition through awareness-raising, policy development and demonstration and training activities	UNEP	ND
Cameroon - Biodiversity Conservation and Management	WB	ND
China - Sichuan Gas Transmission and Distribution Rehabilitation	WB	ND
Indonesia - Solar Home Systems (SHS)	WB	ND
Mexico - Protected Areas Program	WB	NR
Mozambique - Transfrontier Conservation Areas Pilot And Institutional Strengthening Project	WB	NR
Philippines - Conservation of Priority Protected Areas	WB	ND
Regional - OECS Ship-Generated Waste Management	WB	ND
Regional - Water and Environmental Management Project (WEMP) in the Aral Sea Basin	WB	NR
Republic of Croatia - Kopacki rit Wetland Management Project	WB	NR
Russia - Biodiversity Conservation Project	WB	NR

1 ND= No data provided, including rating or qualitative information.

2 NR = No rating available; only qualitative information was provided.

3 While inconsistent reporting is one barrier to measuring the extent to which the GEF has stimulated
4 replication, other barriers exist. First, like the concept of sustainability, replication is difficult to operationally
5 define and track, in part because it is often observed following project completion. Moreover, no indicators
6 or metrics are available by which to systematically assess replication in most focal areas and project types
7 within focal areas.

8 Some progress has been made in this area. The biodiversity Task Force has developed a “Tracking Tool”
9 for the GEF biodiversity focal area Strategic Priority Two (on Mainstreaming Biodiversity in Production
10 Landscapes and Sectors). This “tool” is essentially a standard template or reporting form in which project
11 managers must evaluate progress in achieving impact targets, one of which includes targets on replication
12 through the use of “positive incentive measures and instruments” (e.g., trust funds, payments for
13 environmental services, certification). Specifically, the reporting form requests information on “the number
14 of replications reported and verified through projects that apply incentive measures and instruments...
15 within and beyond project boundaries.” The reporting form is now required for all biodiversity projects in
16 SP2 approved under GEF-3, and must be completed at three times during a project’s life: at work program
17 inclusion, project mid-term, and project completion. Information from each project will be aggregated for
18 portfolio-level analysis, and progress toward meeting targets and performance indicators will be published
19 annually. The tracking tool will be used through June of 2006, at which time feedback will be sought from

1 the users of the tool in order to refine it for application during GEF 4.¹³⁴ This standardization and
2 systematic collection of data is a positive step for the GEF.

3 **Innovation, Demonstration, and Replication: Factors**

4 For innovation to foster catalytic effects, several factors are required. First, the innovation must demonstrate
5 a relative advantage over the baseline technologies or approaches otherwise used. If the innovation is proven
6 successful and economically viable through demonstration, then others are likely to adopt it, since their
7 private risk is reduced. To have a successful innovation replicated, then, depends on the extent of
8 knowledge/information sharing to get the word out about how the innovation works and where (and in what
9 conditions) it can be applied. All of these factors are important if innovations are to be adopted quickly and
10 widely in order to generate catalytic global environmental benefits.

11 As recognized by the GEF Secretariat, IAs, and the OME, there is no single project design blueprint that can
12 be applied within or across focal areas to ensure that replication occurs, given the incredible diversity of
13 cultural, social, economic, and biological systems within which GEF projects are implemented, as well as the
14 variation in project types within each focal area.¹³⁵ However, one somewhat “generic” factor that can
15 influence replication across all focal areas is knowledge-sharing, or the dissemination of information about
16 proven innovations or successful demonstrations that can be replicated elsewhere, in other appropriate
17 locales. Effective communication and active promotion of such successes is important for magnifying GEF
18 successes throughout the world.

19 Currently, a number of vehicles are in place to foster knowledge-sharing as a mechanism for the replication of
20 successful innovations and demonstrations through GEF projects. For example, Strategic Priority 4 in the
21 biodiversity focal area on the Dissemination of Best Practices directly targets this, as have a number of GEF
22 newsletter issues¹³⁶ and annual PPRs.¹³⁷ Likewise, OP12 provides scope for “documentation and
23 dissemination of experience to facilitate replication,” as well as “thematic reviews to document and
24 disseminate broader lessons learned and good practices to encourage replication.”¹³⁸ At the IA level, a
25 number of systems have all been implemented to share information (e.g., the UNDP/GEF portal,
26 UNEP.net, etc.), and various workshops and seminars have been held at the intra-agency or focal area level.
27 OPS3 found some evidence of ad-hoc inter-agency efforts made to share lessons learned in some countries
28 (e.g., Brazil). What is missing, however, is a cohesive, systematic sharing of information and active promotion
29 of successes across all GEF entities with equal access and a view towards compatibility/alignment of systems.

30 Another “generic” factor that can influence potential replication of successful innovations and
31 demonstrations, as noted in the 2003 PPR, is the inclusion of replication strategies in project design, where
32 relevant. To date, the development of replication strategies has often been overlooked during project design
33 and implementation.^{139, 140} Currently, project review criteria include only general principles that may increase
34 the likelihood of replication—such as cost-effectiveness, integration of project interventions into wider

¹³⁴ Tracking Tool for GEF Biodiversity Focal Area Strategic Priority Two: “Mainstreaming Biodiversity in Production Landscapes and Sectors”

¹³⁵ Action Plan to Respond to the Recommendations of the 2003 Project Performance Report, GEF/ME/C.24/2, October 15, 2004.

¹³⁶ The GEF Newsletter, GEF Lessons Notes, summarizes the highlights, conclusions and lessons learned from evaluations, thematic reviews, the annual Project Implementation Reviews, and other studies conducted by the GEF—which can include dissemination of information with an eye toward replication.

¹³⁷ PPRs contain information on lessons learned and brief summaries of project successes, including evidence of replication.

¹³⁸ Operational Program #12: Integrated Ecosystem Management, April 20, 2000.

¹³⁹ 2003 PPR.

¹⁴⁰ Report of the Monitoring and Evaluation Unit, GEF/C.23/3, April 21, 2004.

1 processes outside of the project boundary—without requiring specific blueprints to ensure that replication
2 occurs. Moreover, OPS3 and other recent GEF studies have shown that even the concept of replication is
3 not entirely clear.^{141, 142} In recognition of the technical nature of developing replication guidelines, the OME
4 and the GEF Secretariat have agreed that the most effective way to further define the project review criteria
5 of replication would be to engage the Focal Area Task Forces to refine and adapt criteria to each focal area
6 and, as necessary, to project types within each focal area.¹⁴³

7 The distinction made by the OME and the GEF Secretariat that criteria for replication are specific to focal
8 area and project types underscores that factors that influence replicability are also distinct by focal area and
9 project type (if applicable at all). Of course, replication is also often specific to geography, with cultural and
10 ecological differences requiring different approaches and solutions. A better understanding of the factors that
11 lead to replicability by focal area and project type should be made possible pending the development of
12 project review criteria by Focal Area Task Forces, as is currently underway.¹⁴⁴

13 In addition, the relationship between replicability and project size—if in fact one exists—may be worth
14 further study. OPS3 heard anecdotal evidence from several groups of stakeholders, including IA country
15 office representatives and other project proponents, that SGP projects are more replicable than larger
16 projects, since their lower cost makes them easier to adopt in other places. However, without a robust set of
17 data on replication, no firm conclusions can be drawn.

18 **International Cooperation: Extent**

19 IW projects often aim to foster international cooperation via agreements or the creation or strengthening of
20 international commissions. According to M&E Working Paper (2002), the GEF can “be seen as a major, or
21 possibly the major, facilitator of the implementation, and increased adoption, of international water laws,
22 action plans, and regional environmental protection agreements.”¹⁴⁵ Indeed, the report documented GEF
23 support for strengthening several basin organizations and the regional seas conventions to address
24 transboundary issues, noting that the GEF has been “instrumental in advancing new multicountry agreements
25 for the management of shared water bodies.”¹⁴⁶ This M&E report, as well as the International Waters
26 Program Study (2004), provides multiple examples of how the GEF has indeed fostered international
27 cooperation in this focal area.

28 However, in spite of some successes, the 2002 M&E report also indicated that some multicountry agreements
29 in the environmental arena are weak, and that the GEF should work to strengthen them.¹⁴⁷ Further, the
30 study found that the related institutions are often limited to advisory functions, as a result of political and
31 financial weakness and a lack of interministerial committees at national levels.

32 Of course, not only international waters projects target international cooperation. A number of other
33 multicountry (i.e., regional or global) GEF projects target this goal as a means to achieving environmental
34 benefits. One such project, explored through OPS3 field visits, is the regional biodiversity project,
35 “Establishment of a Programme for the Consolidation of the Meso-American Biological Corridor (MBC).”

¹⁴¹ 2003 PPR.

¹⁴² Report of the Monitoring and Evaluation Unit, GEF/C.23/3, April 21, 2004.

¹⁴³ Action Plan to Respond to the Recommendations of the 2003 Project Performance Report, prepared by the GEF Secretariat, Implementing Agencies and the Office of Monitoring and Evaluation, GEF/ME/C.24/2, October 15, 2004.

¹⁴⁴ Action Plan to Respond to the Recommendations of the 2003 Project Performance Report, prepared by the GEF Secretariat, Implementing Agencies and the Office of Monitoring and Evaluation, GEF/ME/C.24/2, October 15, 2004.

¹⁴⁵ Contributions to Global and Regional Agreements, M&E Working Paper #8, March 2002, p. 12

¹⁴⁶ Contributions to Global and Regional Agreements: Review of GEF International Waters Program, M&E Working Paper 8, March 2002. (p.12)

¹⁴⁷ Contributions to Global and Regional Agreements, M&E Working Paper #8, March 2002, p. 12.

1 This \$10.9 million project approved by Council in 1997 involves Belize, Costa Rica, El Salvador, Guatemala,
2 Honduras, Mexico, Nicaragua, and Panama, and aims to enhance the conservation of biodiversity in Central
3 America and southern Mexico. The MBC, which was established by the presidents of the seven Central
4 American nations as a crucial environmental region, is a priority of the Central American Alliance for
5 Sustainable Development and consists of a network of protected areas and their buffer zones linked by
6 biological corridors of a variety of uses and degrees of protection. This project aims to provide technical
7 assistance to allow the governments and societies of Mesoamerican countries to jointly establish the MBC as
8 a system integrating conservation and sustainable uses of biodiversity within the framework of economic
9 development priorities over the medium- to long-term.

10 Finally, it should also be noted that the OPS3 workshops in themselves demonstrated another important
11 function of the GEF in catalyzing international cooperation. Specifically, the workshops provided
12 participants with an opportunity to exchange ideas and experiences, which helped raise awareness about
13 international project opportunities and, more broadly, build support for international cooperation on
14 environmental issues. For example, the Pacific SIDS regional workshop held in Fiji created a platform for
15 enhanced organization, collaboration, networking, and learning about the GEF within the region. Workshop
16 participants expressed the importance of this type of exchange in building momentum and cooperation
17 among countries, and noted that this is an area in which the GEF could play a role.

18 **International Cooperation: Factors**

19 OPS3 found evidence to suggest that, in the international waters focal area, the TDA/SAP process continues
20 to facilitate long-term involvement of multiple countries at national and sub-national government levels, by
21 allowing each country to set individual goals and develop individual programs against a shared understanding
22 of transboundary problems and their causes.¹⁴⁸ In addition to TDAs and SAPs, other factors that influence
23 sustained international cooperation that can lead to catalytic action in the international waters focal area are
24 strong multi-country institutions. However, M&E Working Paper (2002) cautioned that most of the GEF-
25 supported multi-country institutions are politically and financially weak. Thus, as emphasized by M&E,
26 efforts to strengthen the financial self-sustainability of such organizations and “enhance their wider
27 recognition, acceptance, and implementation” are important if international cooperation is to lead to catalytic
28 effects.¹⁴⁹

29 Based on evidence in the field, OPS3 found that for international cooperation to result in catalytic effects,
30 increased coordination within and among countries is needed. For example, OPS3 learned that inter-country
31 coordination on the MBC project has been limited because project directors have tended to focus on their
32 individual country’s parts of the project, which have been parceled out, instead of communicating and
33 working closely together. In this case, a unique opportunity to foster a high level of collaboration and
34 knowledge-sharing, and potentially augment catalytic effects, is being lost. Moreover, in-country coordination
35 on the MBC project has also been inadequate in some countries, with the status of project progress in some
36 areas completely unknown to project proponents both in and out of country. The MBC’s success requires
37 the development of a shared vision of its goals and functions. This vision must recognize the divergent needs
38 of the participating countries and their constituent regions and identify the common interest all regional
39 actors share in achieving ecological and socioeconomic sustainability. The ability to build trust and
40 confidence among various stakeholders of the MBC will, in the end, determine its fate. Because extent of this
41 project’s achievement of global environmental benefits will depend on the whole, and not the sum of its
42 parts, it is critical that information flow and exchange occur more freely both within and among countries.

¹⁴⁸ Field interviews in Russian Federation; consistent with OPS1, p. 84, and OPS2, p. 37..

¹⁴⁹ Contributions to Global and Regional Agreements: Review of GEF International Waters Program, M&E Working Paper 8, March 2002. (p.12)

1 In addition, another important factor for success highlighted by the MCB project is that global and regional
2 projects must carefully consider and address local and global realities and needs in project design. In
3 particular, because the MBC is quite top-down in approach, as is common for projects of this size and scope,
4 some country-specific realities have been overlooked in project planning. The result has been that, countries
5 with lower capacities have had difficulty adhering to project expectations, and overall progress of the project
6 has been slowed.

7 **Mainstreaming: Extent**

8 Since OPS2, recent program studies have credited some climate change and biodiversity enabling activities—
9 such as the preparation of inventories and plans required by conventions—with increasing national
10 government awareness and understanding of environmental issues, a key element in mainstreaming.¹⁵⁰ In
11 addition, various efforts have been undertaken to more directly target mainstreaming, such as the GEF
12 National Dialogue Initiative (NDI), which has been established in part to achieve greater mainstreaming of
13 GEF activities into national planning frameworks and coordination and synergies amongst the GEF focal
14 areas at the national level.¹⁵¹ Building on the lessons learned from the GEF Country Dialogue Workshops
15 (CDW) Programme, the NDI is being implemented by UNDP over a four-year period, based on strategic
16 guidance provided by the GEF Secretariat. The shift from the CDW to the NDI represents a changing focus
17 of the GEF, from an emphasis on “how to access GEF,” to bringing together diverse stakeholders within
18 and outside government, including the private sector, to discuss broad national agendas and the place of
19 environmental considerations within them.

20 At the IA level, OPS3 concurs with the OPS2 finding that the IAs have made reasonable efforts to
21 mainstream global environmental issues into their operational programs. It should be noted, however, that
22 the level of mainstreaming, or GEF influence on IAs and projects, tends to vary based on the significance of
23 GEF’s financial contributions to the particular agency and/or project. In other words, the greater the
24 financial role played by the GEF, the greater its influence over the agency, and vice versa. That said, those
25 partners whose mission is to provide financing (i.e., international and regional development banks) and who,
26 therefore, tend to provide large sums of financing to each project relative to the GEF, must be particularly
27 cautious that the GEF mission to achieve and sustain global environmental benefits is the guiding force
28 behind all of their GEF projects.

29 While the overall extent of mainstreaming achieved by the GEF is not possible to discern, given a lack of data
30 on this subject, some progress is being made. In October 2004, a STAP interim report on mainstreaming
31 biodiversity in production landscapes and sectors was released, which developed potential indicators for
32 mainstreaming.¹⁵² Since then, the BD-2 “Tracking Tool” (previously described) has been established, which
33 requires evaluators to provide information about the extent of mainstreaming at both the country and IA
34 level in a systematic way.¹⁵³ For example, it asks whether biodiversity considerations are mentioned in sector
35 policy and legislation, and if so, whether regulations, enforcement and/or monitoring are in place to support
36 the legislation. It also asks whether the private sector has undertaken voluntary measures to incorporate
37 biodiversity considerations in production, and other questions related mainstreaming biodiversity
38 considerations into the economy. Through this “tool,” assessment of progress made on mainstreaming
39 biodiversity will be possible at various levels of aggregation.

¹⁵⁰ BD Program Study 2004, p. 73; CC Program Study 2004, p. 52.

¹⁵¹ National Dialogue Initiative website (http://cfapp2.undp.org/gef_dialogue/about/index.htm)

¹⁵² Scientific and Technical Advisory Panel to the Global Environment Facility: mainstreaming biodiversity in production landscapes and sectors (interim) report, October 2004.

<http://www.unep.org/stagef/documents/mainstreaming%20revised%20report%20to%20STAP%20Oct.pdf>

¹⁵³ Tracking Tool for GEF Biodiversity Focal Area Strategic Priority Two: “Mainstreaming Biodiversity in Production Landscapes and Sectors”

1 **Mainstreaming: Factors**

2 In October 2004, the STAP released an interim report on mainstreaming biodiversity in production
3 landscapes and sectors. The report lists 10 conditions for mainstreaming in this focal area, and describes a
4 lengthy list of activities that can foster mainstreaming goals. In particular, the report describes three broad
5 categories of activities for mainstreaming: (1) strengthen capacity at the systemic level, through strengthening
6 policy, incorporating environmental management considerations into spatial and sector planning, and
7 awareness/advocacy; (2) establish markets for environmental goods and services, including supply chain
8 initiatives (e.g., certification); and (3) improve production practices, such as through the promotion of best
9 practices.¹⁵⁴

10 While the nuances between mainstreaming in the biodiversity versus climate change or international waters
11 focal areas have yet to be fleshed out, at a fundamental level, the three above sets of activities are critical
12 factors for successfully mainstreaming. Stated more broadly, *capacity*, *markets*, and *production practices* must be
13 appropriately targeted, to effectively mainstream environmental concerns in all focal areas.

14 The OPS3 Team found that the most basic building block to mainstreaming is political will, as discussed in
15 detail in Section 4. Once political will exists, the resolve to integrate environmental considerations into
16 broader decisionmaking at the national place will follow. Strong leadership and dialogue at all levels, is
17 another dominant factor observed by the OPS3 Team in terms of influencing mainstreaming. In particular,
18 the active involvement of line ministries with decisionmaking mandates is needed for successful
19 mainstreaming. As discussed in more detail under TOR 4E and 4D, field interviews revealed that entities
20 with environmental responsibilities often do not have adequate strength within national governments to
21 influence national decisions and policies, while the more powerful ministries are not aware or interested in
22 pursuing environmental objectives. In such cases, mainstreaming can best be promoted through GEF
23 capacity building activities that are embedded in strong ministries that can effectively address intersectoral
24 issues.

25 **Additional Considerations**

26 In addition to the four standard mechanisms for creating catalytic effects singled out in the TOR, OPS3 has
27 observed that there are other mechanisms that can contribute to catalysis as well. In particular, the
28 mechanisms of knowledge-sharing, partnerships, and institutional and individual capacity building—although
29 discussed in this chapter as components of or factors for some of the four standard mechanisms—may be
30 worth further consideration in their own right.¹⁵⁵ OPS3 considers knowledge-sharing and partnerships as
31 *resources* that GEF can use to create catalytic effects, and institutional and individual capacity building as a
32 *condition* that GEF can foster to create catalytic effects. Perhaps these mechanisms can be explored in more
33 depth by OPS4.

34 **5.2 Strategic Trade-offs**

35 There are several issues and strategic trade-offs regarding the GEF's role in enabling catalytic effects to create
36 more and faster global environmental benefits, as discussed below.

37 **Financial vs. Non-Financial Mechanisms for Catalytic Effects**

¹⁵⁴ Scientific and Technical Advisory Panel to the Global Environment Facility: mainstreaming biodiversity in production landscapes and sectors (interim) report, October 2004. Available at <http://www.unep.org/stapgef/documents/mainstreaming%20revised%20report%20to%20STAP%20Oct.pdf>

¹⁵⁵ OPS3 considers sustainability to be a complex mechanism for catalytic effect, and it is treated in detail in Section 4.

1 Currently, all GEF projects require that some level of cofinancing be provided, but the inclusion of other,
2 non-financial modes for catalysis is optional, and varies by project. The focus on cofinancing to produce
3 catalytic effects has led to a number of issues, including project delay, and has effectively served as a barrier to
4 project entry, especially for LDCs and SIDS, where resources are particularly scarce. All considered, dialogue
5 may be warranted to determine whether this across-the-board focus on financial modes for achieving catalytic
6 impacts is appropriate, or if other modes for catalysis should be given equal weight in the project criteria
7 equation, or at least greater weight than is currently attributed.

8 **GEF as “Leverager” or “Leveragee”**

9 Evidence from the OPS3 Team reveals that GEF funds are in some instances being used to augment other
10 funds already committed to large projects. Such projects would go forward with or without GEF
11 contributions, and may be less driven by the GEF mission (for sustainable global environmental benefits) as a
12 result. While it could be argued that such use of GEF funds is catalytic, in that it increases total resources
13 which can in turn lead to increased or faster achievement of global environmental benefits, it could also be
14 argued that GEF’s limited funds could produce greater catalytic effects if they were used for projects that
15 would not get implemented without the GEF, and/or may be more driven by the GEF mission.

16 **Means vs. Mandate for Private Sector**

17 Currently, the GEF does not have an effective strategy to engage the private sector, despite its mandate to do
18 so. The development of a GEF strategy that effectively engages the private sector has been under
19 consideration for several years now, but will ultimately require difficult decisions about the extent to which
20 the GEF is prepared to reach out to industry and reconcile the differences in doing business—which include
21 disparate drivers (profit vs. environment) and different, sometimes incompatible, modes of operation.

22 **Innovation vs. Risk Avoidance**

23 Innovation is a mechanism for catalytic effects that is actively promoted by the GEF (e.g., through CC-5, IW-
24 3, POP-3, SLM-2). Generally, however, the more innovative the project, the greater the risk, and hence, the
25 greater the chance of project failure. Therefore, because project criteria and cofinancers aim to ensure project
26 results and minimize risk, GEF may be reluctant to take on innovation projects. In short, GEF has
27 competing bottomlines: a mandate to innovate while demonstrating environmental results with minimal risk.
28 Ultimately, if innovation is a priority for the GEF as a mechanism for catalytic effect, proper incentives and
29 guidelines are needed to promote the pursuit of higher-risk opportunities.

30 **Information Management and Knowledge-Sharing**

31 Currently, GEF information systems do not adequately track indicators for catalytic effects. Although data
32 on cofinancing and other leveraged resources may be the easiest to quantify and monitor, IA reporting on
33 actual leveraging is unsystematic and ambiguous. For other mechanisms of catalysis (e.g., mainstreaming,
34 replication), indicators are still lacking across most focal areas and strategic priorities. Moreover, systematic,
35 GEF-wide knowledge sharing to impart information on successful innovations/demonstration and actively
36 promote their replication into appropriate sectors or geographic areas is also lacking. While the development
37 of indicators and reporting and data tracking systems, as well as the operationalization of a knowledge-sharing
38 information system to foster replication, will require additional time and resources, OPS3 considers this to be
39 a critical aspect of GEF’s role in contributing to catalytic effects.

40 **5.3 Recommendations**

- 41 • *Systematically track proxies for catalytic effects.*

1 Current evidence on the extent to which catalytic effects have been realized is rather paltry, given that proxies
2 for measuring such effects are not well defined, measured, or tracked. To better measure GEF's success in
3 this area, operational definitions and indicators are needed for the mechanisms of catalytic effects (e.g.,
4 cofinancing, leveraged resources, replication, mainstreaming). In addition, an information management
5 system is needed to collect and track these data so that progress at the portfolio level can be assessed.

6 • *Promote catalytic effects through systematizing innovation, demonstration, and replication.*

7 An organized mechanism for sharing information and systematically promoting the replication of successful
8 innovations, demonstrations, and approaches must be implemented in order to maximize the catalytic
9 potential of GEF resources. OPS3 recommends that the GEF Secretariat, in collaboration with the IAs and
10 EAs, organize annual workshops for each of the three major focal areas, to share information on successful
11 innovations, demonstrations, and approaches that have been demonstrated in the field, and to strategize
12 about how and where to promote their replication. To coordinate such meetings, IAs and EAs should
13 submit "nominations" for their top successes for each focal area, for review and selection by the GEF
14 Secretariat. The workshops should be attended by senior staff who could then disseminate key information
15 throughout their respective organizations, including regional or country offices, where they exist; to the extent
16 possible, staff in field offices should then promote replication of innovations/demonstrations/approaches, as
17 relevant, through in-country networks. Methods to facilitate, ensure, and/or incentivize field staff to
18 disseminate information through appropriate in-country channels should also be explored.

19 • *Launch private sector special initiative.*

20 The GEF should launch a private sector special initiative to look for good models of cooperation with the
21 private sector and to pilot projects. As part of this special initiative, the GEF should continue working to
22 develop an appropriate strategy and mechanism for private sector engagement, as recommended in the
23 October 2004 Management Response (GEF/ME/C.24/6) and prioritized in the GEF-4 programming.
24 Specifically, OPS3 recommends that the GEF Secretariat, in coordination with the IAs and EAs, work
25 directly with members of the private sector to identify appropriate means and modalities to more effectively
26 involve the private sector. Private sector representatives should be identified and selected based on their
27 previous involvement with the GEF, so that a blueprint that is sensitive to the needs and realities of industry
28 can be formulated during a series of work sessions scheduled throughout the year. The GEF should aim to
29 design a proposal for private sector engagement that includes a strategy for private sector outreach and
30 communication, as well as risk-sharing arrangements. In addition, the work sessions should address any type
31 of additional staff expertise and/or resources that may be required within the GEF Secretariat to actively
32 engage the private sector moving forward, such as the development of a new staff position to identify,
33 market, and facilitate new opportunities for private sector leveraging and partnerships.

34 • *Broaden focus on non-financial mechanisms for catalysis.*

35 The GEF should consider substituting cofinancing requirements with other requirements related to non-
36 financial mechanisms for catalysis described in this chapter. The reduced burden on cofinancing
37 requirements would be especially beneficial to LDCs and SIDS. This would also remove project approval
38 barriers currently faced by UNDP and (especially) UNEP, while freeing their resources to pursue other
39 catalytic activities wherein they possess greater strengths. Such changes would require that a Task Force be
40 established to identify appropriate indicators and requirements for non-financial mechanisms for catalysis,
41 which would need to vary by focal area and strategic priority. To ensure that reduced cofinancing
42 requirements do not lead to a significant decrease in GEF's ability to fund projects, innovative funding
43 mechanisms should also be explored, such as concessional loans, guarantees (contingent grants), and equity
44 participation.

45 • *Clarify acceptable use of GEF funds to maximize leveraging.*

1 To ensure that co-financing is targeted for GEF projects and not vice-versa, the use of GEF funding as “add-
2 on” to projects with large budgets should not be pursued. To this end, the GEF Council should develop
3 explicit policy regarding the proper use of GEF funds as they relate to the leveraging of financing and other
4 resources, and ensure that all implementing agencies and partners are clear on such policies. It should be the
5 responsibility of each agency to ensure that GEF policies are adhered to within their own organization.

6 • *Conduct further analysis into catalytic mechanisms.*

7 Pending the availability of more robust data on actual cofinancing amounts, the GEF Secretariat should
8 assess how actual cofinancing amounts received are impacted by the timing with which commitments are
9 secured—i.e., whether greater cofinancing contributions are delivered when commitments are made once
10 projects are underway, instead of prior to their approval. In addition, the extent to which different types of
11 leveraging have produced catalytic effects should also be explored, as should the relationship between project
12 size (e.g., SGP vs. MSP vs. FSP) and replication and sustainability. All of these analyses could have important
13 implications for the development of future project plans.

14 **5.4 National Priorities of Recipient Countries (TOR 4E)**

15 **5.4.1 Historical Context**

16 The GEF mandate incorporates the role of national priorities through its fourth Operational Principle (OP4),
17 which states: “The GEF will fund projects that are country-driven and based on national priorities designed
18 to support sustainable development, as identified within the context of national programs.”¹⁵⁶ To this end,
19 the recipient Government is responsible for identifying national priorities, using a multi-stakeholder process;
20 ensuring consistency of its national priorities with Conventions through coordination with national focal
21 points for the Conventions; and through sign off by the GEF country focal point, ensuring that GEF
22 projects conform to national priorities and country strategies.¹⁵⁷

23 In addition, national priorities are explicitly considered in the proposal process for full-sized projects (FSP)
24 and medium-sized projects (MSP). For FSP proposals, a project’s fit with national priorities is examined
25 twice when being considered for pipeline entry (by the Secretariat) and for Work Program inclusion. MSP
26 proposals are also reviewed for consistency with national priorities at two separate stages of the review cycle:
27 (1) at Project Concept Review (conducted by the IA); and (2) at the Project Brief Review/CEO Approval.
28 During these reviews, the national priorities typically considered are those defined in national
29 reports/communications to Conventions, national or sector development plans, and recommendations of
30 appropriate regional intergovernmental meetings or agreements.¹⁵⁸

31 Based on the review of GEF documentation through OPS2, most projects tend to be consistent with national
32 priorities, to the extent that national priorities are well defined. For example, the 2002 Medium-Sized
33 Projects Evaluation found that, of the projects reviewed, documentation of consistency with country
34 priorities had been carried out to ensure that the proposed activities were “more or less” in agreement with
35 the priorities documented in national environmental planning documents. However, the study also found
36 that, “while this process worked well in some countries, it was less convincing in those cases where such

¹⁵⁶ GEF/C.21/Inf.11 Strategic Business Planning

¹⁵⁷ GEF/C.21/Inf.5 Clarifying the Roles and Responsibilities of the GEF Entities

¹⁵⁸ GEF/C.22/Inf.9 GEF Project Cycle: An Update, Annex H “Criteria for Review of GEF Full-Sized Projects & Annex J “Criteria for Review of GEF Medium-Sized Projects”

1 environmental planning documents included lengthy, unprioritized lists of potential projects expressed in very
2 general terms.”¹⁵⁹

3 OPS2 found that, while much country ownership was apparent, many GEF projects “did not seem country-
4 driven in terms of involvement of the designated national operational focal points.” Moreover, OPS2
5 recognized a lack of country-drivenness, noting that projects were “often initiated largely through IAs efforts,
6 along with their main contact points in the country.”¹⁶⁰

7 But, while the commitment and capacity of national operational focal points (OFPs) have a strong influence
8 on the actual extent to which national priorities are addressed through GEF projects, projects were often
9 found to be initiated mainly by the IAs, without participation of OFPs. Moreover, for regional/global
10 projects, many OFPs felt pressure from IAs to endorse a project before they were even aware of the national
11 benefits that would be gained from the project. OPS2 also found that, in the climate change focal area,
12 projects were often more focused on countries’ obligations under the UNFCCC and less on national needs
13 and priorities. Furthermore, the 2002 Medium-Sized Projects Evaluation found that many countries’
14 environmental planning documents often included a number of potential projects without prioritization,
15 rendering it difficult to tie GEF projects to specific national priorities.

16 A number of recommendations have been made to strengthen the GEF at the country level, to ensure that
17 projects are in fact country-driven and based on national priorities. In particular, OPS2 recommended that
18 the GEF continue ongoing efforts to support capacity development of OFPs, the national GEF coordinating
19 structures, and the country dialogue workshops. OPS2 also recommended that the GEF Secretariat provide
20 OFPs better information services on the status of projects in the pipeline and under implementation.
21 Reiterating this concern, the Beijing Assembly and the Participants in the Third Replenishment recommended
22 that the GEF consult with countries on available operational tools and programming options developed for
23 accessing GEF assistance to best address their needs and enhance performance and effectiveness.

24 **5.4.2 Current Evidence**

25 A number of recent initiatives were undertaken to strengthen focal points. For example, since OPS2, the
26 Focal Point Support Program (established in 1999) has undergone significant review.¹⁶¹ Overall, the findings
27 showed that the program contributed to improved communication, increased awareness and better
28 coordination with program stakeholders, but that further improvements were needed. In particular, there is a
29 need, especially among less developed countries, to strengthen GEF coordination at the country level, raise
30 awareness of GEF priorities, policies and programs, and enhance the capacity of countries to develop and
31 implement GEF projects.¹⁶² While the Council has continued to approve funding for the program on an
32 annual basis, it has not yet approved any major changes to it.

33 In addition, the GEF Secretariat is developing good practices to share with other focal points on successful
34 in-country coordination. Also, the GEF Secretariat Country Relations Team is developing a comprehensive
35 tool kit to introduce focal points to the GEF. To further strengthen national focal points in LDCs and SIDS,
36 GEF has provided support for the National Capacity Self-Assessments (NCSA) and approved “country

¹⁵⁹ MSP Evaluation (2002), p. 51.

¹⁶⁰ OPS2, p. 123.

¹⁶¹ This includes the May 2003 analysis of the support provided national focal points and Council members (GEF/C.21/Inf.12), the March 2004 evaluation of the GEF Council Member and Focal Point Support Program (GEF/C.23/Inf.12), the May 2004 “Elements for Strengthening National Focal Points and Enhancing Constituency Coordination in GEF Recipient Countries” (GEF/C.23/12).

¹⁶² (GEF/C.23/Inf.12, 2004)

1 programs” to provide financing at the country level to address critical capacity bottlenecks. Other initiatives
2 to support LDCs and SIDS at the national level are discussed in Section 5.3.

3 The GEF National Dialogue Initiative (NDI) has also been established, which builds on lessons learned from
4 the GEF Country Dialogue Workshops (CDW) Programme. The NDI aims to strengthen country ownership
5 and involvement in GEF co-financed activities through a multi-stakeholder dialogue process, which brings
6 together key stakeholders from a wide variety of national and local interests in sustainable development. The
7 NDI aims to promote in-depth understanding of the GEF's strategic directions, policies and procedures;
8 strengthen country coordination and ownership in GEF operations and sharing lessons learned from project
9 implementation; and achieve greater mainstreaming of GEF activities into national planning frameworks and
10 coordination and synergies amongst the GEF focal areas and convention issues at the national level.¹⁶³ The
11 NDI is being implemented by UNDP based on strategic guidance provided by the GEF Secretariat, and is
12 being organized over a four-year period. In addition, UNDP's Country Programme Action Plan (CPAP) and
13 the World Bank's Country Assistance Strategy (CAS)¹⁶⁴ have also played a positive role in helping to create a
14 cohesive framework by which to strategically plan and pursue GEF (and other) environmental projects.

15 These and other efforts at the country level appear to have paid off for a number of countries. The OPS3
16 field study found that, for many countries, GEF projects are responding to national priorities. In some
17 countries (e.g., Kenya, Kazakhstan), the GEF has prompted the setting of national environmental priorities
18 that fall within GEF focal areas. In other countries (e.g., India), the IAs are very responsive to the OFP. Also,
19 many stakeholders noted how effectively the Small Grants Program was responding to country priorities at
20 the local level. Overall, the GEF portfolio was found to best reflect country priorities in countries that were
21 able to move towards greater strategic partnership among IAs and among government ministries executing
22 projects.

23 However, recent GEF reports and OPS3 field studies have identified a need for improvement in this area. In
24 particular, the 2004BPS stated that a project has “little hope of making it through to eventual GEF
25 funding...without a champion within one of the IAs to shepherd a project through the maze,”¹⁶⁵ suggesting
26 that IAs, not country priorities *per se*, are the main drivers behind the ultimate project submission process.
27 The 2004IWPS suggested that attention of the GEF Secretariat and IAs can at times lead toward project
28 progression when the project might have otherwise been challenged.¹⁶⁶

29 In the majority of field visits, country focal points and other government representatives interviewed during
30 field visits criticized IAs for not having been responsive to their country priorities, and that IAs are often the
31 main drivers of GEF projects, not their country priorities. In several countries, focal points stated that IAs
32 had modified project proposals so extensively following country approval, that the projects no longer
33 reflected national priorities. The perceptions of stakeholders were that such modifications were made based
34 on IA priorities,¹⁶⁷ and/or the need to render the project more “GEFable” (i.e., to better fit GEF OPs and
35 strategic priorities). In fact, some focal points interviewed during the South American regional workshops
36 noted that their countries wanted to pursue projects in the land degradation focal area, but were told by IAs
37 to focus their efforts elsewhere, since the GEF was prioritizing funds in the land degradation focal area for
38 countries in Africa. As a result of these dynamics, there are GEF projects in the pipeline that are not based
39 on national priorities but rather on opportunistic access to available funding. Such behavior is not a function

¹⁶³ National Dialogue Initiative website (http://cfapp2.undp.org/gef_dialogue/about/index.htm)

¹⁶⁴ The CAS establishes a program of support linked to the country's own development strategy and to the Bank Group's own comparative advantage in the context of other donor activities.

¹⁶⁵ GEF. 2004. Biodiversity Program Study. ME/C.24/Inf.1, November 4.

¹⁶⁶ GEF. 2004. International Waters Program Study. ME/C.24/Inf.3, November 4.

¹⁶⁷ Many focal point and NGO stakeholders noted that IAs have conflicting motivations over serving the needs of countries since they must develop projects that are approvable and expand their own levels of business.

1 of corruption or breach of trust; it is simply the result of countries doing what is in their best interest to
2 exploit available opportunities.

3 The notion that the IAs drive the process was felt most strongly by focal points in SIDS and LDCs. This is
4 not that surprising, for several reasons: (1) national environmental priorities are not well defined for many
5 countries; (2) country governments do not have the capacity to develop their own project proposals; and/or
6 (3) country priorities tend to focus on immediate development needs (e.g., poverty alleviation, clean drinking
7 water, etc.) rather than global environmental objectives, which countries may not perceive as addressing their
8 more immediate needs. Indeed, stakeholders consulted frequently highlighted the need to link environmental
9 problems to local development needs (including the elimination of poverty). While there is some space within
10 the GEF to address such needs (e.g., P13, OP15), the perception among stakeholders in SIDS and LDCs is
11 that the GEF does not always respond to country priorities to eliminate poverty, even if it is a fundamental
12 need for countries to address before tackling environmental problems. This suggests a need for countries
13 (and not just LDCs and SIDS) to develop clear environmental priorities, as well as strategic priorities for
14 GEF funding. The National Dialogue Initiative (NDI),¹⁶⁸ the GEF's National Capacity Self Assessment
15 (NCSA), UNDP's Country Programme Action Plan (CPAP), and the World Bank's Country Assistance
16 Strategy (CAS)¹⁶⁹ are all examples of this.

17 The weak link between country priorities and GEF projects also occurs at the country level. As noted by
18 OPS1 and OPS2, focal point endorsement of project proposals "is not by itself a good indicator of country
19 ownership,"¹⁷⁰ since the focal point system often does not work as it is intended. Weak or ineffective focal
20 points can put a wrench in the system. In fact, several NGO stakeholders in the field stated that their country
21 focal points had caused their projects significant delay. Similarly, stakeholders informed the OPS3 team of
22 other instances where the focal point system wasn't working well, such as in countries with high government
23 corruption, or where the focal point is lodged within an environmental department with little clout or ability
24 to contribute to national priority setting. In addition, national priorities in some countries do not reflect state
25 or local priorities, since there is no mechanism for such priorities to be elevated to higher levels. Moreover,
26 focal points can reject or approve project proposals based on personal/political motivations, not country
27 priorities. Finally, the focal point system can be especially problematic in countries without a central
28 government, where mainstreaming and coordination of environmental activities at the country level is very
29 difficult.

30 **5.4.3 Other Issues and Strategic Trade-offs**

31 *National vs. global priorities.* GEF's mandate to foster global environmental benefits may be in contradiction
32 with its mandate to fund projects that are country-driven and based on national priorities. While countries
33 may set environmental priorities that benefit the global environment, this is not necessarily the case; countries
34 act in their sovereign interest, not in the interest of the global environment, *per se*.

35 *Local/regional vs. country priorities.* Country priorities should reflect priorities at the state and local levels, but in
36 many countries this is not the case. In such countries, the GEF can provide support (e.g., through NDI) by
37 facilitating dialogue between government and non-government actors at the national, state, and local levels.

¹⁶⁸ The NDI aims to achieve greater mainstreaming of GEF activities into national planning frameworks and coordination and synergies amongst the GEF focal areas at the national level through a multi-stakeholder dialogue process.

¹⁶⁹ The CAS establishes a program of support linked to the country's own development strategy and to the Bank Group's own comparative advantage in the context of other donor activities.

¹⁷⁰ OSP2, p. 52.

1 *Mandating vs. ensuring country ownership.* The development and selection processes for GEF projects are not
2 transparent, and as such, focal point approval does not necessarily translate into country ownership.
3 Ensuring country ownership, however, is critical to project success, and is a mainstay of ensuring alignment
4 with national priorities. While there is no way for project criteria to guarantee that GEF projects are country-
5 driven or truly have country ownership in the current system, this is in fact essential.

6 **5.4.4 Recommendations**

7 *Continue efforts to link poverty alleviation with environmental efforts.*

8 To place the environment on the national agendas of developing countries, particularly those in LDCs and
9 SIDS, GEF must take seriously the link between poverty and environment by operationalizing modalities to
10 address poverty alleviation within its focal areas. While several such modes already exist (e.g., OP13, and
11 OP15), field studies reveal that more is needed. OPS3 recommends that the GEF increase funding levels and
12 the number of projects that can benefit from such modalities. GEF should also consider if and how other
13 focal areas and OPs can be modified to incorporate poverty alleviation components, and how project design
14 can be more sensitive to poverty issues.

15 *Promote strategic GEF planning at the national level.*

16 The GEF should move toward a stronger country program focus that recognizes the need for and
17 emphasizes local capacity, partnership in the GEF process, as well as planning and development of clear
18 country strategies and priorities for GEF funding that is linked through dialogue with country priorities.
19 Country programs should be developed as an outgrowth of activities such as the NCSA and the NDI, and
20 should be planned by a multi-stakeholder team coordinated by the GEFSEC and including IAs and EAs,
21 national focal points, and other local stakeholders. Country portfolio planning teams should pay attention to
22 include local decision-makers at the right levels in order to give the programs adequate weight and credibility
23 in-country. The development of country programs could fit nicely into a RAF structure—if approved—since
24 the RAF will likely require the GEF to allocate resources among countries in a systematic manner.
25 Developing and managing national strategic portfolios would be a logical means of maximizing results in each
26 country. However, given that the GEF will not be able to fund all country priorities, and will, therefore, need
27 to prioritize projects at the country portfolio level, a process and set of criteria for choosing among projects
28 (e.g., based on innovativeness, replicability, cost-effectiveness) should be established by the GEF Secretariat,
29 and clearly articulated to country focal points and other relevant stakeholders at all levels.

30 **5.5 Varying Capacities of SIDS, LDCs, and CEITs (TOR 4F)**

31 SIDS, LDCs, and CEITs face unique challenges that make them economically, ecologically, and geopolitically
32 vulnerable. These vulnerabilities, combined with low capacities and other obstacles faced by these countries
33 require consideration on how the GEF conducts business with these partners—in terms of the modes of
34 outreach/communication utilized, the types of projects implemented, and the project implementation
35 strategies applied. In this context, this section looks at how the GEF has addressed the unique capacity
36 challenges faced by SIDS, LDCs, and CEITs, and what more, if anything, is needed to be done.

37 Least Developed Country (LDC) is a designation of the United Nations and is based on the following three
38 criteria:

- 39 • A low-income criterion (based on gross domestic product per capita),
- 40 • A human resource weakness criterion (based on nutrition, health, education, and literacy), and
- 41 • An economic vulnerability criterion (based on the stability of agricultural production and the export of
42 goods and services, the economic importance of non-traditional activities, merchandise export

1 concentration, an economic smallness handicap, and the percentage of population displaced by natural
2 disasters).

3 Small Island Developing States (SIDS) is a designation of the United Nations Department of Economic and
4 Social Affairs and includes 41 low-lying coastal countries with similar attributes, including the following:

- 5 • Sustainable development challenges
 - 6 • Small populations
 - 7 • Lack of resources
 - 8 • Remoteness
 - 9 • Susceptibility to natural disasters
 - 10 • Excessive dependence on international trade
 - 11 • Vulnerability to global developments
 - 12 • Lack of economies of scale
 - 13 • High transportation and communication costs
 - 14 • Costly public administration and infrastructure
- 15 Countries with Economies in Transition (CEITs) are
16 countries that have been designated by the UNFCCC as those countries that are transitioning to a market
17 economy. These countries, which have been listed in Annex I to the UNFCCC, are as follows: Belarus,
18 Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Russian
19 Republic, Slovak Republic, Slovenia, and Ukraine.

19 **5.5.1 Historical Context**

20 GEF has long recognized the unique challenges faced by certain countries, particularly LDCs and SIDS, and
21 has made special efforts to respond to their needs. To improve in this area, the Second GEF Assembly
22 presented numerous recommendations regarding LDCs and SIDS in 2003, including:

- 23 • The GEF should assist in the implementation of the results of the World Summit on Sustainable
24 Development (WSSD) through its work, consistent with its mandate and taking into account the situation
25 of LDCs and SIDS. In particular, the GEF should take into account the importance placed by the
26 Summit on regional and sub-regional initiatives, public participation, stakeholder involvement and
27 partnerships.
- 28 • Medium sized projects should play an important role in GEF action for capacity building, particularly in
29 LDCs and SIDS.
- 30 • The GEF should continue to enhance its partnership with civil society, including NGOs, local
31 communities and indigenous peoples' organizations, at the country level. In this regard, the GEF should
32 seek to expand the Small Grants Program (SGP) to more countries, and in particular to LDCs and SIDS.

33 In 2005, the Council approved the introduction of a pilot program for the financing of smaller MSPs up to
34 \$250,000, and Council Members expressed support for expanding the SGP. In addition, the Council
35 approved an increase in SGP funding to \$47 million for the first year of the SGP's Third Operational

1 Phase.¹⁷¹ While these decisions were not directed specifically at LDCs or SIDS, they may inevitably benefit
2 these countries.

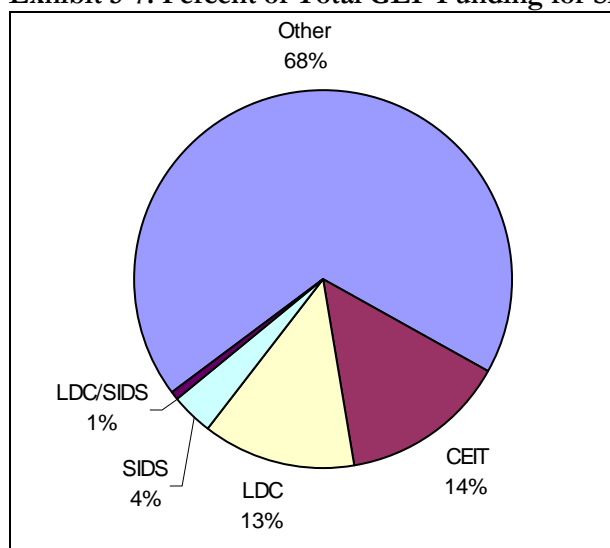
3 In addition, a new sustainable land management portfolio of projects for LDCs and SIDS are be available to
4 help LDCs and SIDS that have not yet completed their National Action Programs (NAP) to Combat
5 Desertification, to help them develop individual, institutional, and systematic capacity for sustainable land
6 management management. The portfolio approach is meant to provide eligible countries a cost effective way
7 of delivering a large number of relatively small projects in a timely manner through expedited MSPs.¹⁷²

8 In a similar vein, GEF established an LDC Fund as a first step to provide funding to meet the full cost of
9 preparing national adaptation programs of action (NAPAs), to help build capacity for the preparation of
10 national communications under Article 12, paragraph 1 of the UNFCCC. As of September 2004, projects
11 for the preparation of National Adaptation Programs of Action (NAPAs) in 43 countries have been
12 approved, totaling US\$ 9,415, 219 (including two global support projects).¹⁷³

13 5.5.2 Current Evidence

14 According to data available in the GEF project database on single-country projects as of April 2005
15 (including projects that are approved, CEO endorsed, completed, and completed/closed), CEITs have
16 received 14% of GEF funding allocations, while LDCs have received 13%, SIDS 4%, and countries that are
17 classified as both LDCs and SIDS, 1%. **Error! Reference source not found.** presents these data. It should
18 be emphasized that regional and global GEF projects are not included in this analysis, although they may
19 represent a significant portion of funding in LDCs, SIDS, and CEITs.

20 **Exhibit 5-7. Percent of Total GEF Funding for Single Country Projects**



21
22 Exhibit 5-8 puts the numbers above in their appropriate context, based on the number of countries grouped
23 in each country classification. As shown, SIDS account for the smallest average share of GEF funding by
24 country, followed by LDCs, CEITs, and all other countries. This appears to be reasonable, given the small

¹⁷¹ GEF Talking Points, Vol. 5, No. 1.

¹⁷² Progress Report on Implementation of the GEF Operational Program on Sustainable Land Management. GEF/C.23/Inf.13/Rev.2, May 10, 2004.

¹⁷³ Elements to be Taken Into Account in Funding the Implementation of NAPAs Under the LDC Fund. GEF/C.24/Inf.7, October 26, 2004.

1 average size and population of SIDS, and the lower institutional capacities of SIDS and LDCs to absorb
 2 project funds. SIDS also have the lowest average number of GEF projects by country, followed by LDCs.

3 **Exhibit 5-8. Percent of Total GEF Funding for Single Country Projects**

	LDCs/SIDS	SIDS	LDCs	CEITs	Other
Total number of countries in classification	7	31	36	14	68
Total number of projects	41	173	308	145	719
Total GEF funds (millions \$)	\$28.07	\$ 131.64	\$ 460.56	\$ 497.31	\$ 2,400.94
Average number of projects/country	5.9	5.6	8.6	10.4	10.6
Average funds/country (millions \$)	\$4.01	\$4.25	\$12.79	\$35.52	\$35.31

4
 5 Within the country categories themselves, GEF efforts in LDCs are weighted heavily towards Africa, while
 6 efforts in SIDS are weighted heavily toward Latin America and the Caribbean, as shown in Exhibit 5-9.

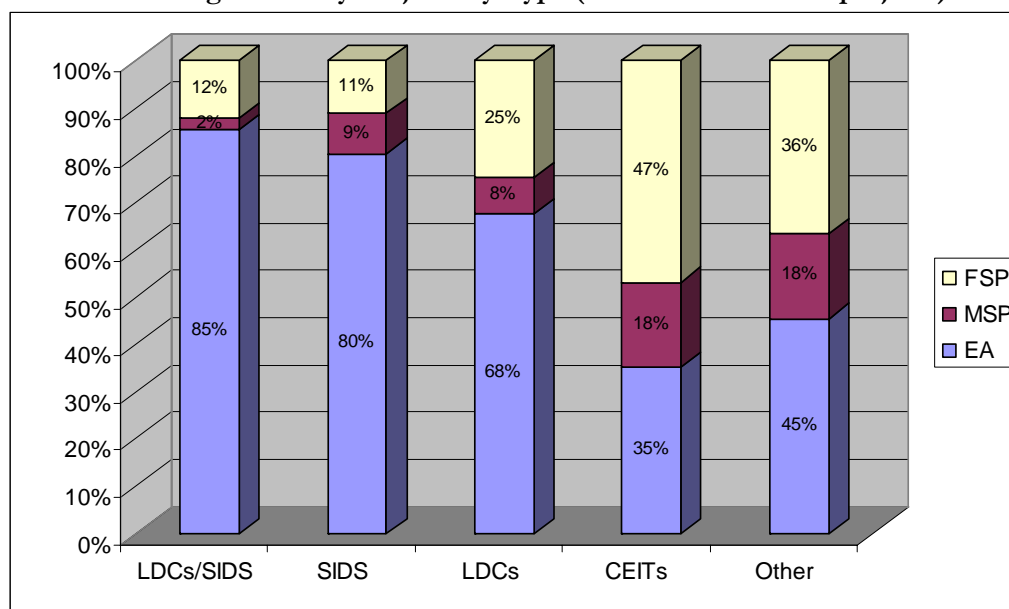
7 **Exhibit 5-9. Total GEF Funding and Number of Projects by Geographic Region in LDCs and SIDS^a**

Geographic Region	LDCs		LDCs/SIDS		SIDS	
	GEF Financing	Number of Projects	GEF Financing	Number of Projects	GEF Financing	Number of Projects
Africa	\$356.37	241	\$21.49	28	\$12.72	21
Asia	\$104.19	67	\$11.14	32	\$35.34	39
Latin America/Caribbean	-	-	\$1.28	5	\$77.72	89
<i>Total</i>	<i>\$460.56</i>	<i>308</i>	<i>\$33.92</i>	<i>65</i>	<i>\$125.79</i>	<i>149</i>

8 ^a Shaded cells denote largest funding/number of projects in each country classification.

9 Exhibit 5-10 compares the distribution of enabling activities (EAs) versus medium-sized projects (MSPs) and
 10 full-sized projects (FSPs) for the GEF portfolio of single country projects for LDC, SIDS, CEITs, and other
 11 countries. The figure clearly shows the emphasis on EAs in SIDS, particularly in those SIDS that are also
 12 LDCs, where EAs constitute 85% of all GEF projects. Conversely, EAs represent a much smaller share of
 13 the GEF project portfolio in CEITs (only 35%) and all other countries (45%). In CEITs, FSPs represent the
 14 majority of projects.

15 **Exhibit 5-10. Single Country Projects by Type (based on number of projects)**



16

1 Based on OPS3 field studies, a number of positive findings can be made regarding how the GEF has
2 considered the varying capacities of LDCs, SIDS, and CEITS:

- 3 • GEF has played a critical role in strengthening environmental institutions and developing capacity in
4 LDCs and SIDS. This funding has, in part, helped to refocus some countries on environmental
5 management.
- 6 • The flexibility of the SGP has allowed for innovative thinking and design of activities to meet country
7 needs and capacities in SIDS and LDCs.
- 8 • The rollout of NAPAs have been quite successful and efficient in LDCs. Moreover, the establishment of
9 NAPAs and the LDC Fund has demonstrated that GEF is responsive to the needs of LDCs.
- 10 • The fight against desertification is a priority for LDCs; the introduction of OP15 has helped integrate the
11 country priorities of LDCs into the GEF.
- 12 • The OPS3 workshop held in Fiji has, in and of itself, created a platform for enhanced organization,
13 collaboration, networking, and learning about the GEF within Pacific SIDS.
- 14 • SIDS are optimistic about the impacts the SGP will bring. Many SIDS are only now gaining access to the
15 SGP, and feel strongly that wider access will lead to cost-effective strategies for addressing the focal
16 areas. For example, to reduce administrative costs associated with the SGP, a bundled SGP is being
17 established between in Micronesia, the Marshall Islands, and Palau, which is an innovative and positive
18 step. INSERT MORE

19 In addition, the OPS3 field study identified a number of weaknesses in how GEF has approached LDCs,
20 SIDS, and CEITS, given their limited capacities:

- 21 • While the vast majority of GEF projects in SIDS have been enabling activities (EAs) (over 80% of single
22 country projects), most of these activities have not fostered tangible environmental results. This is
23 because EAs in Pacific SIDS (which represent 88% of all projects) have focused primarily on fulfilling
24 international reporting requirements and developing action plans, without much follow-on
25 implementation of those plans. Also, by their nature, EAs have tended to focus resources largely on
26 governments and not on other stakeholders, which has kept the GEF visibility low in those countries and
27 contributed to the belief that the GEF is not very active in the region.
- 28 • Institutional capacity in LDCs and SIDS, and to a lesser extent, in less developed CEITs, remains largely
29 inadequate to pursue GEF opportunities and fulfill GEF obligations. In particular, focal points and
30 country governments are not well informed about the GEF (how it works, how to access it), and do not
31 have the capacity to develop GEF proposals. This is due in large part to GEF's outreach strategy, which
32 relies heavily on the Internet and the English language to disseminate information, even though the
33 Internet is not accessible or affordable, and English is not well understood by many of these countries.
34 Moreover, even if information about the GEF was made more available, focal points do not have the
35 capacity to widely disseminate it to other stakeholders, given the difficulties and expenses of travel and
36 communication within countries (especially in LDCs and Pacific SIDS). Partly due to the internet
37 problems, there is a preference to rely on printed materials to augment communication of GEF activities.
38 Furthermore, staff turnover often leads to the loss of institutional capacity, particularly in SIDS with very
39 small populations
- 40 • LDCs, SIDS, and less developed CEITs do not have adequate capacity to meet the co-financing
41 requirements of larger GEF projects. Specifically, they do not have the in-country resources or the
42 knowledge about other international donors and how to access external funding options. Stakeholders
43 made clear during OPS3 field visits that additional GEF support in this area would be helpful.

- 1 • Project modalities that provide smaller levels of funding and require less reporting/administrative
2 burdens (e.g., the SGP) are well suited to the lower capacities of LDCs and SIDS. Reporting and other
3 administrative requirements tend to consume too much of the available resources; rigid project schedules
4 also add to project inefficiencies since specific project circumstances are often not taken into account.
- 5 • The capacities of CEITs vary widely, with the less developed eastern countries tending to have lower
6 capacities. Stakeholders in CEITs working toward EU accession expressed confusion and uncertainty
7 about how they will be treated by the GEF (i.e., when they will be graduated, what will happen with
8 ongoing projects or those in the pipeline, etc.). While the GEF has adopted a decision in this regard,¹⁷⁴
9 OPS3 found that focal points in the region are not always aware of this, or the implications for their
10 participation in projects. Additionally, ramifications for projects in the pipeline or in the approval
11 process are a source of concern for CEITs that are unclear or unaware of GEF policies in this regard.

12 **5.5.3 Other Issues and Strategic Trade-offs**

13 The OPS3 field study revealed that the GEF communication and outreach strategy is not adequate for
14 reaching out to focal points, NGOs, and other stakeholders in LDCs and SIDS. The study also reveals that
15 the GEF's outreach strategy for CEITs is inadequate, as demonstrated by stakeholders' uncertainty regarding
16 existing GEF policies that are of great concern to them. How the GEF chooses to pursue (or not to pursue)
17 an outreach strategy in these countries calls into question the very nature of the GEF: does the GEF identify
18 itself as an international advocacy institution, like UNAIDS, in which case it should expand its outreach as
19 widely as possible—such as through strategic alliances with other agencies, national governments, regional
20 and country environmental networks, and other non-governmental organizations? Or does the GEF identify
21 itself more as a financial assistance institution, like the IMF, in which case outreach is not quite within its
22 mandate? Based on GEF/C.12/8 (1998),¹⁷⁵ it would appear that a more extensive outreach strategy is
23 appropriate for the GEF, but determining to what extent will require further dialogue.

24 The same questions regarding GEF's identity are relevant to the issue of co-financing, a concern that LDCs
25 and SIDS have cited during OPS3 as a major barrier in terms of accessing GEF funds. Is GEF's primary
26 concern the improvement of the global environment, or does the rule of incremental cost weigh more
27 heavily? Is GEF willing to forego the incremental costs rubric in some cases, if that is what is needed to
28 improve the environment and mainstream environment issues in certain locations?

29 **5.5.4 Recommendations**

- 30 • Continue promoting smaller-scale projects (e.g., SGPs) that fit the capacities of LDCs and SIDS (e.g., by
31 requiring less reporting/administrative burdens, etc.). The introduction of the pilot program for the
32 financing of smaller MSPs (up to \$250K) is a positive step in this direction.
- 33 • Depending on the level of outreach deemed appropriate for the GEF, options may include dissemination
34 of more information about the GEF to LDCs and SIDS in multiple languages (e.g., French for West
35 Africa) and through non-electronic media; a user-friendly "Guide to the GEF" available in print, video,
36 and/or CD ROM would be helpful. In addition, better access to GEF information can be promoted
37 through a series of regional workshops and/or through the designation of Regional GEF Focal Points
38 (see Section IV for more information). Similarly, GEF's outreach to CEITs must clearly communicate its
39 policy for handling EU accession countries that will graduate from GEF funding recipient status.

¹⁷⁴ The new EU countries are to receive funds from the EU and graduate; the IAs are to close their offices.

¹⁷⁵ Country Ownership of GEF Projects: Elements for Strengthening Country-Level Coordination and Ownership, and Greater Outreach and Communication. GEF/C.12/8, September 11, 1998.

- 1 Consultation with the GEFSEC on a subregional level was suggested by CEITs during the OPS3 regional
2 workshop.
- 3 • Assist LDCs, SIDS, and less developed CEITs identify external funding opportunities to better access
4 GEF funding. For example, a clearinghouse of donors and donor interests could be developed.
5 Alternatively, GEF could consider reducing co-financing requirements or allowing more “in-kind”
6 contributions from those countries. Also, additional financial assistance should be provided to Pacific
7 SIDS to implement activities developed/desinged through enabling activities; and for building
8 government capacity and mainstreaming environmental issues in LDCs and SIDS. To support the latter
9 recommendation, efforts should be made to strengthen and expand the NDI in these countries.

SECTION IV: EFFECTS OF GEF'S INSTITUTIONAL STRUCTURE AND PROCEDURES ON RESULTS

Introduction to Section IV

The Institutional Form of the GEF

In order to discuss the effectiveness of the GEF, we have to understand the GEF¹⁷⁶'s institutional form. The GEF, based on its composition, structure, and division of roles and responsibilities, is a network organization.¹⁷⁷¹⁷⁸ A network is different than a stand-alone hierarchical organization and requires a different set of evaluative criteria than a hierarchical organization does.¹⁷⁹

The stand-alone hierarchy is the traditional form of institutional organization. In the hierarchy, instruction and authority issue from a first party to a second party, but not the other way around. Information can flow from the second party to the first but it is generally only in the form of advisement and reporting. The entities that make up the larger organization are usually subunits of it, and each subunit is arranged to correspond to the specific subtask of the larger, more complex task the organization is undertaking.

Conversely, a network is an emerging form of organization in which independent or at least semi-autonomous entities work together to achieve a common result. Instruction and authority are not fixed in any part of the organization or in any direction, but flow back and forth between the parties involved. Parties in the network often have an organizational existence independent from the network, including their own inherent authority and command relationships (they may in fact be hierarchies themselves internally). The entities participate in the network is through their own consent to the network coordinator and to the roles and responsibilities of the other entities.

The designers of the GEF purposely decided, during restructuring, to avoid the creation of a new, hierarchical organization structure. Instead, the Instrument establishes the GEF as a network of collaborative partners who, working together, can support the Conventions by using the incremental cost principle to enhance environmental projects within recipient countries to achieve global environmental benefits.¹⁸⁰

¹⁷⁶ A word about terminology is necessary. In this Section (V), the specific GEF entities will be referred to by their proper names: i.e., GEF Secretariat (GEF Secretariat), the Office of Monitoring and Evaluation (OME), and so on. When the term GEF is used alone, it means the larger organization that we are discussing as the "GEF network."

¹⁷⁷ We are using O'Toole's (1997) definition of networks as "structures of interdependence involving multiple organizations or parts thereof, where one unit is not merely the formal subordinate of the others in some larger hierarchical arrangement (p. 45)." Rank and Wald (2000) define a network as consisting "of a well-defined, persistent, and structured set of semi-autonomous corporate actors engaged in numerous mutual exchange relationships in order to jointly reach the common network objectives" (p. 3).

¹⁷⁸ We acknowledge along with O'Toole that the notion of a network "includes a very wide range of structures in between [formal hierarchies and perfect markets] (ibid.). These forms may include coalitions, alliances, partnerships, and so on. Unfortunately, it does not appear from the literature that a well-accepted topology of these subtypes exists. Therefore, we will treat the GEF as a network in the general sense outlined by O'Toole. Indeed, it is at this general level that most of the literature and research seems to be addressed.

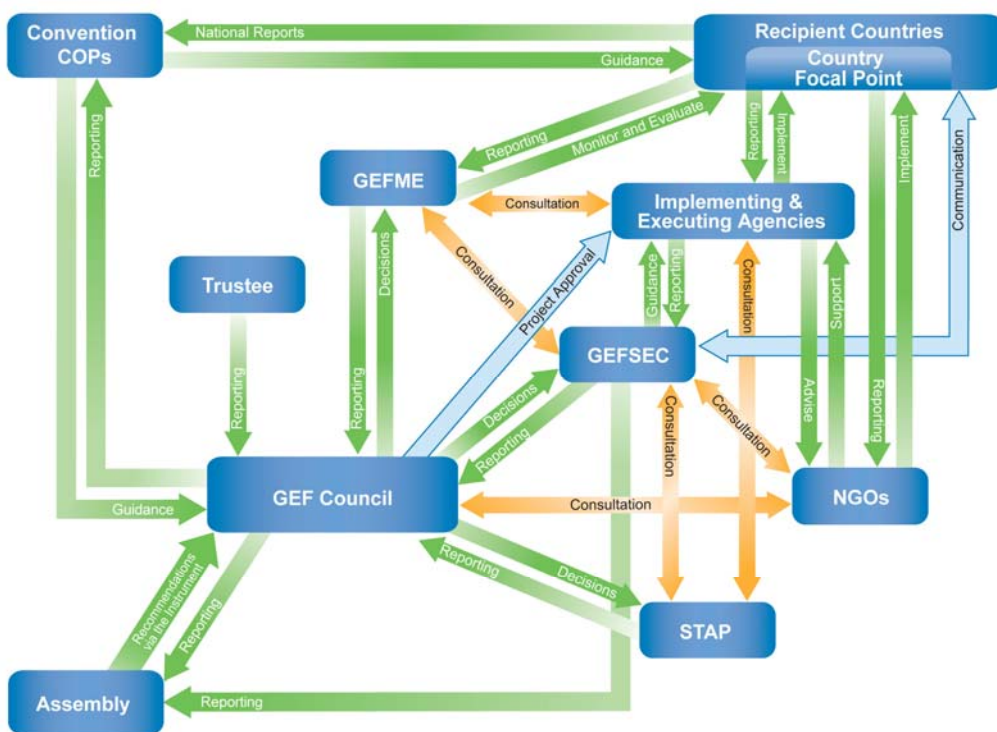
¹⁷⁹ Provan and Milward (1995, 2001); Rank and Wald, (2000) organizations or parts thereof, where one unit is not merely the formal subordinate of the others in some larger

¹⁸⁰ Sjöberg, Helen. "Restructuring the Global Environment Facility." Working Paper 13. September 1999; Streck, Charlotte. "The Network Structure of the Global Environment Facility." Case Study for the UN Vision Project on Global Public Policy Networks. International Development Research Centre, 2000.

1 One of the entities in the GEF network, the GEF Secretariat, was established to coordinate network
 2 relationships by setting policy, establishing goals, coordinating activities, negotiating parameters of
 3 participation, monitoring compliance, and holding the parties accountable. Diplomacy, consensus-building,
 4 motivation, setting incentives, information sharing, and so on are the means by which this network entity,
 5 which Provan and Milward call the “network administrative office” (NAO)¹⁸¹, coordinates network activity.

6 While the GEF Secretariat was established to coordinate GEF activities, responsibility for accomplishing
 7 GEF goals is distributed throughout the multiple entities. The flow of authority and instruction is complex.
 8 For instance, the Conventions provide guidance to the GEF on convention priorities. These priorities are
 9 integrated by the GEF Secretariat with the help of the other entities into Operational Programs (OPs) and
 10 Strategic Priorities, which are approved by the Council and which provide direction for the development of
 11 projects around the world. Countries are recipients of funds and therefore must work within the project
 12 cycle, the OPs, and the Strategic Priorities articulated by the GEF Secretariat. However, the countries are also
 13 “drive” the projects—“country-drivenness” is one of the GEF’s key operating principles and the countries
 14 can direct the IAs concerning those projects that are most important to their national programs.
 15 Furthermore, the countries are parties to the conventions and are members of the GEF Assembly and
 16 Council (at least by representation). Thus, the countries contribute guidance to the GEF Secretariat through
 17 several channels. Exhibit IV-5-11 demonstrates some of these pathways through the GEF network.

18 **Exhibit IV-5-11. Governance and Reporting Structure of the GEF**



19

¹⁸¹ Provan and Milward (1995, 2001) While the NAO has responsibility for the administration and coordination of the whole network, as the GEF Secretariat does, the other entities in the network may have administrative responsibilities for specific parts of the network and the networks activity. For instance, the IAs must provide any administration connected to the management and delivery of the projects that they undertake.

1 **Is the GEF’s institutional form an appropriate one for meeting its** 2 **mandate and operations?**

3 Networks are appropriate when:

- 4 • The challenges undertaken are complex and “cannot be handled by dividing them up into simple pieces
5 in near isolation from each other” (for instance, networks appear to be especially appropriate in the area
6 of global policy and international cooperation, where the forces behind their emergence seem
7 exceptionally strong.¹⁸²)
- 8 • Multiple entities exist who have some claim on the mission (i.e., conventions, countries, IAs, NGOs, and
9 so on.).
- 10 • Network entities are independent, with their own internal mission, governance, and structure, and
11 participate in the network by choice.
- 12 • The challenges facing the network are geographically diverse and the entities are geographically dispersed.
- 13 • Required skills and competencies are widely distributed among entities, and there is a desire to utilize
14 these skills as much as possible without replicating them (i.e., the roles and responsibilities of the GEF
15 entities).
- 16 • Various levels of interactions—from global strategy to very specific local implementations—are required
17 for the mission to be accomplished.
- 18 • The need for flexibility and responsiveness demands a local presence where decisions can be made in real
19 time.

20 All these conditions for appropriateness pertain to the GEF network of partners. Therefore, its institutional
21 form is appropriate for meeting its mandate and operations. How effectively it performs as a network
22 institution is the concern of this chapter.

23 **Measuring institutional effectiveness**

24 Measures of network effectiveness are just beginning to emerge in the literature.¹⁸³ The most important way
25 to measure effectiveness of any institution is to look at results. If an institution is producing results that
26 contribute to the achievement of mission goals, then the institution is having an effect. Other sections in this
27 report discuss results produced by the GEF network at the focal area level (Section II) and at the level of the
28 community and country (Section III).

29 However, the network itself can be addressed as a level of analysis¹⁸⁴. This section will discuss how effective
30 the GEF is as a mechanism for supporting, encouraging, planning, funding, monitoring, and evaluating
31 environmental action on a global basis. Effectiveness at the network level will be discussed in terms of the
32 GEF’s overall ability to negotiate successfully the challenges associated with network management.

¹⁸² Reinicke, Wolfgang H. and Francis Deng. “Critical Choices: The United Nations, Networks, and the Future of Global Governance.” International Development Research Centre, 2000. p. 23.

¹⁸³ Provan and Milward, 1995, 2001; Rank and Wald, 2000

¹⁸⁴ O’Toole 1997, p. 50.

1 **Exhibit IV-5-12. Network Challenges and Indicators of an Effective Network**

Challenges of a Network	Indicator of Effective Network	TOR #/ OPS3 Section
Communication and alignment of goals	<ul style="list-style-type: none"> ➤ Specific goals create focus for the network partners. ➤ Health and goals of the partners are acknowledged concerns of the NAO. ➤ Conflicting bottom line expectations are acknowledged and actively managed. ➤ Commitment (and alignment) of the partners, as well as the parts of partners, to network goals is a concern. ➤ An appropriate range of services are provided to communities. 	4D / 6.1.1
Coordinating partners on multiple levels/Managing increasingly complex interdependence	<ul style="list-style-type: none"> ➤ A network administrative office (NAO) exists. ➤ Resources are used efficiently; minimal redundant efforts exist. ➤ Coordination mechanisms facilitate cooperation between levels. ➤ The effect of rule changes on the network are monitored (butterfly effect - sensitive dependence on initial conditions). 	4D,4A / 6.1.2
Maintaining an inclusionary approach	<ul style="list-style-type: none"> ➤ The network seeks requisite variety (diversity) in developing and expanding network membership. ➤ Membership is growing¹⁸⁵ ➤ The balance between growth and network administrative capacity is managed. 	4D / 6.1.3
Maintaining structured informality (balance between control and empowerment) in managing network activities.	<ul style="list-style-type: none"> ➤ Policies, procedures, and guidance exist to manage network decision-making and core activities. ➤ Use of minimum critical specification (<u>everything</u> you need, but <u>only</u> what you need) in defining processes and policies is a core NAO practice. ➤ Special competencies of network members are incorporated into basic network practices where possible. ➤ Decisions are made at the appropriate level. ➤ Adaptive management provides a means of balancing up-front specification with on the ground reality. ➤ Ongoing documentation of project decisions makes adaptive management understandable at higher levels. 	4D, 5A / 6.1.4 7.1
Overcoming capacity shortages.	<ul style="list-style-type: none"> ➤ Sufficient financial, physical, and human resources exist. ➤ People trained in network skills (negotiation, collaboration, leadership, etc.) are available. ➤ Absorptive capacity exists in all network partners to carry their share of the responsibility ➤ Training programs exist for new network members to bring them up to speed. 	4D / 6.1.5
Managing in a permanently evolving world	<ul style="list-style-type: none"> ➤ Maintains openness to the future vs. rigid adherence to the past. ➤ Network has the capacity to scan the external environment to anticipate changes that might affect network capabilities. ➤ Network provides stability over time while maintained flexibility to respond to emerging needs that are created by changes in local conditions. 	4D / 6.1.6
Maintaining effective relations with external stakeholders	<ul style="list-style-type: none"> ➤ Network outreach processes span the boundary between the network and the external community in which it exists. ➤ The network establishes its external legitimacy through public demonstration and dissemination of its results. 	4D / 6.1.7

¹⁸⁵ In most cases, growth indicates vitality of the network. Network carrying capacity is an issue, however, since it basically establishes an upper limit to the network's size.

Challenges of a Network	Indicator of Effective Network	TOR #/ OPS3 Section
Managing evolving roles, relationships (trust, competition, and collaboration) and responsibilities, among network partners	<ul style="list-style-type: none"> ➤ Focused integration of partners is an ongoing concern. ➤ Roles and responsibilities distinguish the expected contributions of partners. ➤ Redundancy of functional knowledge (understanding how the network works) exists alongside clarity of roles and responsibilities. ➤ Mix of strong and weak ties (various strengths of relationships among partners) exists. ➤ Incentive structures support expected behaviors and trust among partners. ➤ Stable patterns of relationships create trust and make individual entity behavior more predictable. ➤ Collaboration occurs at multiple levels 	4D, 4A / 6.2.1-5
Developing clarity in measures and outcomes	<ul style="list-style-type: none"> ➤ An overall framework for network effectiveness evaluation—including monitoring the level of the network itself— is in place and is evolving along with the network itself. ➤ A good model exists on how benefits are created. ➤ Overall cost of network maintenance is measured in relation to the value of benefits gained. ➤ Quality assurance is built into network systems. ➤ Clear expectations for network (external) outcomes/impacts, and internal partner accountability and the approaches for measuring these exist, are clear, and are understood and used. 	4G / 6.2.6
Information and communication transparency / Knowledge sharing	<ul style="list-style-type: none"> ➤ Learning the right lessons and using the learning is an important feature of the network. ➤ Mechanisms exist for capturing, storing, and delivering new knowledge to decision-makers who need it. ➤ Timely and transparent communication exists among entities. ➤ Critical information is captured, managed, and shared among stakeholders in transparent ways. 	5B / 7.2

1

2 The evolutionary nature of the GEF

3 The list of network challenges helps explain one of the most obvious findings of OPS3—that many of the
4 same challenges cited in OPS1 and OPS2 are still on the minds of stakeholders who provided input to OPS3.
5 Does the recurrence of these challenges mean that the GEF has been ineffective in addressing them in the
6 years since OPS1?

7 The table of challenges in Exhibit IV-5-12 suggests a different approach to framing this issue. OPS3
8 considers these challenges to be constant and continuous challenges in network management. In a network
9 organization as complex as the GEF, all parts and partners will never be perfectly aligned. Furthermore, the
10 GEF exists in the turbulence of the modern world. The continuously changing world causes the GEF to be
11 in a constant state of adaptation and evolution in response to it. At the same time, network stability (defined
12 as non-interference by structural superiors, like the Assembly and Council in the GEF) has been found to be
13 central to network performance; thus changes should be incremental to maintain stability¹⁸⁶.

14 Therefore, while an assessment of GEF effectiveness should focus first on the degree to which the GEF is
15 achieving global environmental results, it is also worthy to consider the degree to which the GEF network is

¹⁸⁶ Milward and Provan, 2003.

1 *over time* increasing its resilience and robustness as an institution that can consistently deliver those results.
2 The question is really not whether the GEF has completely solved the challenge of the project life cycle or
3 knowledge management in a distributed environment. Rather, the question is whether the GEF is better able
4 to manage the network challenges so that, in sum, it is more effective and more able to deliver on its goals
5 and objectives at the end of GEF-3 than it was at the end of GEF-2. In this regard, OPS3 has particularly
6 sought evidence that the GEF is either moving in the direction of greater “fitness” with its environment or
7 whether, to the contrary, the complexities of the network are beginning to overwhelm the GEF’s ability to
8 accomplish its goals.

9 **Structure of Section IV**

10 In response to TOR 4A, 4D, and 4G, Chapter 6.0 discusses the effects of the GEF’s institutional structure on
11 the achievement of its mission and mandate. Specifically, 6.1 discusses how the GEF is meeting the
12 following challenges from the table of network challenges (Exhibit IV-5-12).

- 13 • Communication and alignment of goals (6.1.1).
- 14 • Coordinating partners on multiple levels/Managing increasingly complex interdependence (6.1.2).
- 15 • Maintaining an inclusionary approach (6.1.3).
- 16 • Structured informality (balance between control and empowerment) (6.1.4).
- 17 • Overcoming capacity shortages (6.1.5).
- 18 • Managing in a permanently evolving world (6.1.6).
- 19 • Maintaining effective relations with external stakeholders (6.1.7).

20 6.2 discusses:

- 21 • Evolving roles and responsibilities / Managing collaboration and competition (proving an in-depth
22 discussion of the major GEF entities) (6.2.1-5).
- 23 • Developing clarity measures and outcomes (particularly focusing on the M&E function) (6.2.6).

24 Chapter 7.0 discusses the effects of GEF procedures on the achievement of its mission and mandate. In
25 doing so:

- 26 • Section 7.1 discusses the project cycle in response to TOR 5.1, the principal coordinating mechanisms in
27 the GEF network.
- 28 • 7.2 discusses “information and communication transparency / knowledge sharing” in response to TOR
29 5B, and
- 30 • 7.3 addresses progress on Council recommendations since the last replenishment talks in response to
31 TOR 5C.

32 **6. Effects of GEF’s Institutional Structure (TOR 4D, 33 4A, and 4G)**

34 Using the network challenges described above, this section considers whether the GEF is stronger and more
35 effective *as a network* at the end of GEF-3 than it was at the end of GEF-2. This institutional perspective must

1 be read in conjunction with the sections on results produced at the focal area and cross-cutting levels.
2 Institutional fitness will not be of any value unless it translates into better results in the environment.

3 **6.1 How effectively is the GEF meeting its challenges?**

4 **6.1.1 Communication and alignment of goals.**

5 **Historical Context**

6 Strategic coherence has been cited as a concern in GEF evaluations from OPS1 through the present. This is
7 understandable, of course. Many GEF entities have their own organizational goals—with potentially
8 conflicting principles, objectives, and bottom-lines—that they must support in addition to fulfilling their
9 commitment to support the GEF goals. In response, the GEF Secretariat has worked continuously to
10 provide the guidance needed help align the entities to the GEF mission and goals. These efforts have resulted
11 in a great deal of instruction about various aspects of the mission, such as the definition of global benefits and
12 the determination of incremental costs.¹⁸⁷ Both of these aspects of the GEF mission have ambiguities that
13 the GEF has been trying to specify since the restructuring.

14 Similarly, the GEF has provided guidance on strategy and goals to network members. Operational Programs
15 (OPs) were developed to help guide work plan development, and thirteen of the current fifteen OPs were
16 approved by Council by 2000. However both OPS1 and OPS2 identified the goals and alignment issue as
17 only partly solved. Specifically, OPS1 noted that greater clarity and improved guidance is needed to determine
18 what is covered by “global environmental benefits,” particularly in the biodiversity and international waters
19 focal areas. OPS2 also found that confusion still existed at the country level and among other stakeholders
20 over definitions of “global environmental benefits,” as well as “incremental costs.”

21 **Current evidence**

22 In a response to stakeholders’ concerns for additional guidance, in 2003 the GEF Secretariat introduced a
23 Strategic Business Planning framework that included defined Strategic Priorities for each focal area and
24 projected levels of financing associated with each priority. The business plan presented at the November 2004
25 Council meeting proposed that the Strategic Priorities be employed as a review screen, in addition to the
26 project review criteria, and not be associated with strict resource envelopes in the business plan.¹⁸⁸ However,
27 OPS3 concludes that there is still much to be done in this area.

28 The 2004 Biodiversity Program Study (BPS) called the concept of incremental costs, as well as its application
29 in the biodiversity focal area, “highly problematic,” and recommended the creation of a handbook with
30 simplified guidelines on project budgeting and incremental cost calculations. Similarly, the 2004 International
31 Waters Program Study (IWPS) concluded that the GEF Operational Strategy and OPs do not provide
32 sufficient guidance regarding the concept of incremental costs, in part because much of the language is in
33 “GEF-speak” that is difficult for practitioners to understand and implement. OPS3 stakeholder consultations
34 confirmed these findings. Many stakeholders, particularly country focal points and NGOs, expressed the
35 opinion that the incremental cost component has become so arcane that only specialized consultants, who are
36 brought in specifically to develop the project design documents, can get it right. Several country-based IA
37 managers with home OPS3 spoke offered specific examples in which they had employed this consultant
38 strategy and even offered to share a list of trusted consultant names. However, country focal point and NGO

¹⁸⁷ *Incremental Costs and Financing Modalities* (GEF/C.6/Rev.2, May 1995), *Notes on Incremental Costs* (GEF/C.13/7, May 1999), and *Report on Incremental Costs* (GEF/C.14/5, November 1999).

¹⁸⁸ Although focal areas may choose to allocate indicative envelopes to strategic priorities over a replenishment period as an operational approach to programming.

1 stakeholders, which agreeing that the consultants had helped get the project design approved, also
2 commented that these consultants sometimes miss some of the subtleties of country capacity and local
3 requirements.

4 Another problem is that the strategic guidance is additive. The Strategic Priorities, for instance, now
5 constitute an additional review test. Thus, during project preparation, project proponents must now identify
6 both a Strategic Priority as well as an OP under which to classify their project. In fact, rather than creating
7 alignment, the proliferation of guidance appears to have defined a broad enough area for strategic activity
8 that GEF entities may find whatever direction they seek in it.

9 Lastly, OPS3 was also told by several country focal points that the alignment of national priorities and GEF
10 priorities is sometimes problematic. How national priorities are linked to the projects submitted by many
11 countries is unclear and may be based opportunistic access to available funds (instead of being tightly tied to
12 national priorities). A frequent suggestion from participants at every level in OPS3 was that a more
13 programmatic approach to funds disbursement would improve strategic alignment. Perhaps the
14 implementation of a Resource Allocation Framework (RAF), about which discussions are continuing within
15 the GEF, may provide countries with a manageable allocation that can then be used to develop some
16 national strategic programming.

17 **6.1.2 Coordinating partners on multiple levels/Managing increasingly** 18 **complex interdependence**

19 **Historical Context**

20 For the GEF Secretariat, coordinating multiple entities across multiple levels is a particularly difficult and
21 persistent challenge, especially as the network becomes more widespread and the tasks to be accomplished by
22 the entities become more complex. The GEF network exists across many different dimensions, as shown in
23 Exhibit IV-5-11. It is not surprising then, that both OPS1 and OPS2 identified coordinating partners on
24 multiple levels as a constant challenge for the GEF.

25 In particular, OPS1 noted the lack of coordinating mechanisms for interactions with other ministries, country
26 representative to the Conventions, and NGOs in some countries. OPS2 recommended that the GEF
27 continue efforts to support capacity development of operational focal points, the national GEF coordinating
28 structures, and the country dialogue workshops. OPS2 also suggested that the GEF Secretariat help empower
29 operational focal points by providing better information services on the status of projects in the pipeline and
30 under implementation. The Participants in the Third Replenishment and the Beijing Assembly took up this
31 challenge and recommended further strengthening at the country level.

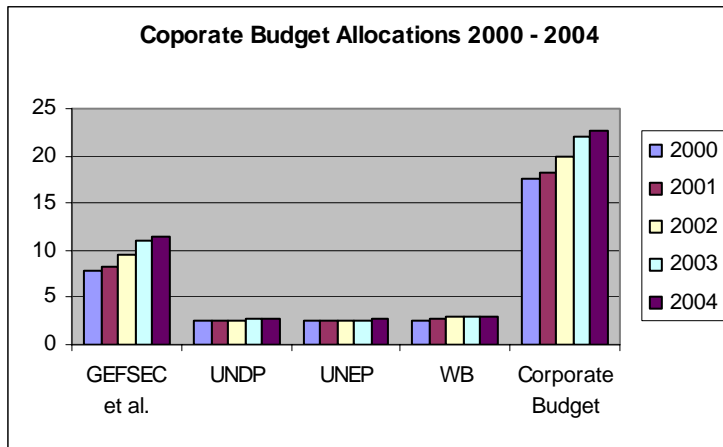
32 **Current evidence**

33 **Network Administrative Office (NAO) as a key function of the GEF Secretariat**

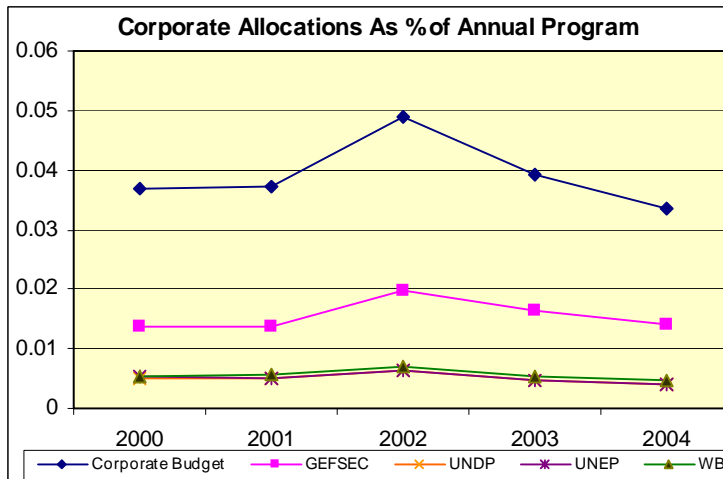
34 Coordination costs are high in a network. A rough calculation by OPS3 revealed that while the number of
35 GEF partners increased from about 11 to 21 during GEF-3,¹⁸⁹--about a one-fold increase--the number of
36 potential communication channels among those entities increased from approximately 55 to 210--or about a

¹⁸⁹ Partners in GEF-2 included the Assembly, Council, GEF Secretariat, 3 IAs, Trustee, STAP, UNFCCC, CBD, and Montreal Protocol. Additional partners in GEF-3 included an independent OME, 7 EAs, CCD, and the Stockholm Convention. Coordination with the countries, NGOs, and the private sector was not figured into this analysis but clearly would increase the coordination challenge by an order of magnitude.

1 four-fold increase.¹⁹⁰ During the same time (2000-2004), the corporate budget has increased by
 2 approximately 40% (see Corporate Budget Allocation). However, as a percentage of the annual GEF
 3 program, the corporate budget has remained flat (see Corporate Allocation as % of Annual Program). The
 4 problem that OPS3 finds in these numbers is that the increase in the complexity of the GEF network is not a
 5 linear function. The more projects there are and the more stakeholders are involved, the more relationships
 6 there are to manage and coordinate. It is not a surprise then to find that the new EAs have secured less than
 7 40 new projects since they were offered expanded opportunities, since their successful involvement in the
 8 GEF activities has associated coordination costs.



9



10

11 The GEF Secretariat has worked consistently to coordinate its partners and to manage this increasingly
 12 complex network.. Recognizing the need for better coordination function, the GEF Secretariat CEO recently
 13 established a group in the GEF Secretariat to manage corporate and operational issues of the GEF. At its
 14 May 2002 meeting, the Council reviewed a document, *Clarifying the Roles and Responsibilities of the GEF Entities*,
 15 that presented the main roles and responsibilities of each of the GEF entities. The Council also stressed the
 16 need for country ownership of GEF activities and the important role of the national focal points in ensuring

¹⁹⁰ The number of communication channels in a network is calculated as $(N^2 - N)/2$, where N is the number of network partners. [cite source] Not all channels are active, of course, but each does represent a potential information flow that can be used for coordination among the entities.

1 such ownership. Coordination mechanisms both among the GEF entities and between the GEF entities and
2 country partners have been strengthened since the last replenishment (see below).

3 However, without adequate resources, the GEF Secretariat will not be able to continue functioning effectively
4 as the NAO of the GEF.

5 **Coordination Mechanisms among the GEF Entities**

6 In order to increase coordination among the GEF Secretariat and the IAs, the GEF Secretariat has instituted
7 (1) Inter-Agency Task Forces for each focal area, which include members from the IAs and the GEF
8 Secretariat who meet regularly to discuss issues related to the focal areas; and (2) Executive Coordinator
9 meetings, held biweekly and attended by the Executive Coordinators of the IAs and representatives from the
10 GEF Secretariat.

11 Participants felt that these meetings provide a basis for coordination but that the meetings could be improved
12 by ensuring that meeting agendas treat issues at a strategic level and with enough time for any decisions made
13 to matter. Action has also been taken to remedy a lack of coordination between the Task Forces and
14 Executive Coordinator meetings. The Executive Coordinators must now approve the determinations of the
15 Task Forces before action can be taken.

16 Inter-agency retreats have been organized between the Secretariat and the IAs to discuss the strategic
17 direction of the GEF, although stakeholders have reported to OPS3 that they are not as useful as they could
18 be. Open discussions about how to improve the effectiveness of the retreats should be undertaken.

19 While the GEF Secretariat is working toward better coordination with the IAs, however, it is less clear how
20 the GEF Secretariat is coordinating efforts with the EAs. There is an apparent need, expressed repeatedly by
21 the EA representatives who consulted with OPS3, for better involvement of the EAs in the strategic
22 discussions of the GEF if the EAs are going to be able to participate effectively in GEF activities.

23 **Coordination Mechanisms between the GEF Entities and Country Partners**

24 Since the last replenishment, coordination mechanisms between the GEF entities and country stakeholders
25 have been strengthened considerably. Since OPS2, the GEF Council Member and Focal Point Support
26 Program (established in 1999) has undergone significant review.¹⁹¹ The review found that while the program
27 contributes to improved communication, increased awareness, and better coordination with program
28 stakeholders, improvements are still needed. According to the 2004 evaluation (GEF/C.23/Inf.12), there is a
29 need, particularly among less developed countries, to strengthen GEF coordination at the country level, raise
30 awareness of GEF priorities, policies and programs, strengthen stakeholder involvement in global
31 environmental programs, and enhance the capacity of those countries to develop and implement GEF
32 projects. Likewise, a report prepared in May 2004 (GEF/C.23/12) proposed that the program be extended
33 for a four-year period, with certain changes/specifications.

34 In response to an independent evaluation of the GEF Country Dialogue Workshops (2002), Council
35 approved the “GEF National Consultative Dialogue Initiative,” to further promote understanding of the
36 GEF, strengthen country coordination and ownership, share lessons learned, and achieve greater
37 mainstreaming of GEF activities at the national level. In FY04, the Country Dialogue Workshops completed
38 its final group of workshops, and the National Dialogue Initiative conducted workshops in eight countries.

¹⁹¹ This includes the May 2003 analysis of the support provided national focal points and Council members (GEF/C.21/Inf.12), the March 2004 evaluation of the GEF Council Member and Focal Point Support Program (GEF/C.23/Inf.12), the May 2004 “Elements for Strengthening National Focal Points and Enhancing Constituency Coordination in GEF Recipient Countries” (GEF/C.23/12).

1 Currently, the GEF Secretariat is developing a study to compile practical examples of how countries have
2 developed and employed GEF national coordination mechanisms. Information resources for focal points are
3 available on the GEF website and the GEF Secretariat Country Relations Team is developing a
4 comprehensive tool kit to introduce newly assigned focal points to the GEF.

5 Other activities in FY04 included orientation seminars for new Council Members and Alternates;
6 constituency groupings to inform Council Members about meetings and logistics; regular meetings between
7 the GEF Secretariat, UNDP, and World Bank to discuss ways to strengthen the focal point support program;
8 information disseminated to focal points on availability and use of focal point support funds; employment of
9 an additional staff at the GEF Secretariat to assist the Country Relations Team in providing information to
10 national focal points and constituencies; distribution of the GEF newsletter, “Talking Points,” to all identified
11 country stakeholders; and other focal point support activities.

12 **6.1.3 Maintaining an inclusionary approach**

13 **Historical Context**

14 Maintaining the balance between a growing number of partners and the need for some oversight and
15 discipline in the partnership is a continual challenge.

16 Throughout its existence, the GEF has made inclusiveness a priority, as stated in its Operational Principles¹⁹²
17 and policies on stakeholder involvement and has been urged to further expand its inclusiveness (e.g., the
18 Beijing Assembly recommended that the GEF continue to enhance its partnership with civil society) where
19 possible. The diversity that results from this inclusiveness is critical to the health of the network, which must
20 reflect the diversity of the community that it serves¹⁹³. In particular, the network must be willing to consider
21 additional partners as it becomes clear that the diversity offered by the new partners will contribute important
22 benefits to the network. The inclusiveness of the GEF, however, has also placed a burden on the capacity of
23 the network to function and coordinate—a fact which both OPS1 and OPS2 have acknowledged.¹⁹⁴

24 **Current evidence**

25 Since the last replenishment, the diversity of GEF partners has increased. In particular, the GEF has sought
26 to embrace additional partners, including granting Executing Agencies operating under expanded
27 opportunities direct access to GEF resources, approving two new focal areas, thereby bringing on new
28 Convention partners, creating a new Independent M&E Office, doubling the number of countries entering
29 the SGP every year, and exploring efforts to engage the private sector. During the OPS3 consultations,
30 stakeholders commented that the inclusiveness of the GEF, operationalized on during the stakeholder
31 consultation process during project preparation, has played a major role in the success and sustainability of
32 GEF projects.

33 While this diversity strengthens the GEF network, it threatens to overload the capacity of the system to
34 coordinate. For example, currently, EAs are not involved in the weekly Executive Coordinator meetings, and
35 participants in those meetings recognized that including the EAs would make the meeting more difficult to
36 schedule and manage. Simple things like finding a common time to meet, discussing issues openly, and

¹⁹² The Operational Principle stated, “GEF projects will provide for consultation with, and participation as appropriate of, the beneficiaries and affected groups of people.”

¹⁹³ Morgan, 1886, identifies this characteristic as “requisite variety,” a term he borrows from the cyberneticists.

¹⁹⁴ OPS1 noted that a greater number of IAs could result in a greater number of project proposals and some short-term sacrifice of commitment to operational principles and reduced incentives for existing IAs to work on GEF project. Similarly, OPS2 cautioned that the capacity of the GEF would be tested by the increased number of focal areas, an increasing demand for its resources, and the expanded opportunities extended to EAs.

1 coming to decisions become more challenging with extra partners. A balance must be sought between
2 inclusiveness and the ability of the system to coordinate additional partners and stakeholders.

3 **6.1.4 Structured informality (balance between control and empowerment)**

4 A key mechanism for balancing control and empowerment in the current GEF network structure is the
5 project life cycle. The project life cycle is discussed in depth in Chapter 7.

6 **Historical Context**

7 Balancing empowerment and control of its partners has been at the heart of the GEF approach since its
8 inception. All partners want to have some say in the GEF's decisions about direction, strategy, access to
9 funds, and so on. IAs have always participated in the many of these decision-making processes through Inter-
10 Agency Task Forces and Executive Coordinator's meetings. The countries participate in decisions both at the
11 Council level and at the project level, since projects must be approved by the OFP as an indication that
12 projects are country-driven. Likewise, NGOs have been granted increasingly direct access to the GEF
13 through the Small Grants Program and the MSP modality, while some EAs have been granted expanded
14 opportunities and direct access to GEF resources.

15 **Current evidence**

16 The GEF has worked to empower the partners, however, because the GEF guidance has been additive, as
17 discussed in Section 6.1.1, it has been difficult for the GEF to practice minimal critical specifications.
18 Moreover, empowerment to a certain degree has been by default in the GEF. Indeed, without a specific
19 policy group in the GEF Secretariat (i.e., a "policy shop"), means of empowerment have been somewhat ad
20 hoc.

21 An important element of effective empowerment is that partners must have the capacity for empowerment.
22 For example, if OFPs are going to sign off on projects as an indication of country-drivenness, they need to
23 have the capacity to make that determination. Capacity has been lacking in many partners of the GEF,
24 which, in combination with the empowerment of those partners, threatens the stability of the network.
25 Currently, the GEF has insufficient mechanisms to control when parts of the network are not performing.
26 This is in part because GEF is a decentralized network, and because some of its partners are parts of partners;
27 thus, the GEF does not always have hegemony over all its partners to necessarily control their behavior or
28 create the results it seeks to achieve.

29 **6.1.5 Overcoming capacity shortages**

30 **Historical Context**

31 The question of capacity in the GEF has three general components: (1) People – does the GEF have the skill
32 sets and number of staff that it needs throughout the network? (2) Funding – does the GEF provide the right
33 level of resources to support its project activities? (3) Infrastructure – does the GEF have absorptive capacity
34 in terms of technical and institutional infrastructure to accomplish its goals?

35 Overcoming capacity shortages has been a persistent challenge for the GEF. The GEF Secretariat can write
36 policies and approve projects but it harder to ensure that its empowered partners have sufficient capacity to
37 take on the responsibilities associated with these projects. For instance, OPS1 noted that some focal points
38 required budgetary resources to adequately perform their coordination roles, and OPS2 recommended a
39 number of actions to enable OFPs to be more effective advocates for GEF issues in their country. Both
40 OPS1 and OPS2 also made recommendations about realignment of resources within in the GEF to get at
41 some of the capacity issues.

1 **Current evidence**

2 Although the GEF has worked consistently since OPS2 to overcome its capacity shortages at the country
3 level, stakeholders at all levels in a range of countries still identify the lack of basic infrastructure capacity,
4 including communication technology, as a major challenge. Language barriers can also affect the absorptive
5 capacity of countries; although OPS1 and OPS2 noted that documentation should be provided in all UN
6 languages, this is yet to happen in the GEF.

7 As noted before, the capacity of focal points is still uneven; with some not being in sync with GEF activities
8 in their countries and/or not well-integrated into other ministries. The loss of institutional memory resulting
9 from high turnover of Council members and focal points also threatens the stability of countries' capacity.
10 While stakeholders reported to OPS3 that it can take up to a couple of years for focal points and Council
11 members to get up to speed on the GEF, approximately 25 percent of focal points and 40 percent of Council
12 members (including alternates) changed in 2004. The GEF Secretariat reports to have ramped up efforts to
13 work with support staff below the level of the focal point to retain institutional memory when the focal point
14 changes, however increases in the turnover rate in the first two months of 2005—there were 31 changes in
15 focal points and Council members—may overwhelm the capacity of the GEF Secretariat and IAs to educate
16 new focal points and Council members about the GEF. On a positive note, OPS3 was told by several
17 stakeholders that changes in focal points and Council members may have a beneficial externality for the GEF
18 in that, as country government officials rotate out of the focal point and Council member positions, they
19 bring with them a knowledge of the GEF that they can spread throughout other parts of the government.

20 As the GEF has recognized, capacities vary significantly among countries and must be considered in all
21 aspects of project work. Country capacity in part depends on the depth of the pool of qualified people on
22 which the GEF can draw; for example, in some SIDS, there may only be a few people with any
23 environmental management experience, which presents a significant challenge. Recognizing that a network is
24 only as strong as its partners, the GEF Secretariat should aim to make the recipient countries more partners
25 than recipients, and in doing so, should work to improve their capacity. However, while the GEF Secretariat
26 can, and should, suggest that countries form internal coordination mechanisms to improve their capacity (e.g.,
27 inter-ministerial councils), the GEF Secretariat cannot be held culpable for the failure of some countries to
28 take action to improve their own capacity.

29 At the corporate level, the GEF has benefited to date from a core of people who have been working and
30 maturing in the partnership network for so long that they understand how it functions and are able to
31 communicate more effectively. Moreover, there has been some exchange of personnel among IAs/EAs and
32 the GEF Secretariat, which also may increase the ability of GEF staff to overcome inherent capacity
33 shortages by retaining people in the network that are already familiar with the GEF and other GEF entities.
34 At the same time, this in-network turnover may contribute to the insularity that the GEF has been charged
35 with by stakeholders from time to time. The arrival of new perspectives in the CEO and Director of OME
36 already has helped this, and will likely continue to open the GEF to new ideas.

37 OPS3 received strong endorsement of IAs and EAs working at the local level in countries as an important
38 component of project success. However, numerous stakeholders testified to the varying capacity of the
39 officers in these positions, many of whom either 1) were junior professionals and lacked the capacity to
40 address the issues of countries effectively or 2) were not specialized in a particular focal area and so lacked the
41 capacity to give effective technical advice to countries. As more responsibilities are currently being delegated
42 to in-country offices, the IAs must monitor the capacities of each office and strengthen them when necessary.

43 One of the basic problems of a network is that staff are generally trained to work in hierarchies, not in
44 networks and, thus, generally lack the appropriate management skills. Frequent changes in staff among
45 network partners, lack of direct training in the network management skills, little project management training,
46 and so on all limit the capacity of a network to manage itself effectively. OPS3 finds that the capacity of the

1 GEF Secretariat is still insufficient for it to effectively function as the NAO of the GEF partnership network
2 (see Section 6.2.1). As such, the GEF may want to undertake a program to ensure that its staff are trained in
3 and understand strategic and institutional issues and are not too narrowly focused on technical focal area
4 issues. Further, the GEF should seek specific skills in future hires that are necessary for managing in a
5 network—negotiation, consultation, collaboration, knowledge management, managing virtual teams, and so
6 on.

7 **6.1.6 Managing in a permanently evolving world**

8 **Historical Context**

9 The GEF exists in a very dynamic world replete with political, economic, social, regulatory, scientific, and
10 environmental variability that causes turbulence to which the GEF must be continually adapting. For
11 instance, new guidance from a Convention, new scientific findings about environmental management, or
12 changes in the politics within a block of countries may directly impact GEF operations. The GEF has
13 committed itself to maintaining “sufficient flexibility to respond to changing circumstances,” as one of its 10
14 Operational Principles affirms. It is an “incrementally evolving” institution,¹⁹⁵ expected to learn from and
15 adapt to new conditions. As stated by the GEF CEO, the GEF seeks to be seen as “highly adaptable and
16 uniquely positioned to take on additional responsibilities to help close the recurring gaps in the evolving
17 environmental regime.”¹⁹⁶ Indeed, the GEF has been touted for being an “innovative, flexible entity that can
18 respond to new challenges and responsibilities” and specifically for having an open decision-making process
19 that involves a range of stakeholders.¹⁹⁷

20 **Current evidence**

21 At the enterprise level, the GEF has shown itself to be a continually self-reflective and evolving institution, as
22 evidenced by its regular undertaking of program studies, overall performance studies, such as this one, and
23 other self-evaluations. In many instance, especially with major program studies, recommendations are turned
24 into management actions (see Section 7.3).

25 At the project level, however, recent studies have highlighted the difficulties associated with project
26 inflexibility. The 2004 Biodiversity Program Study (BPS) found that projects have shown some rigidity in the
27 face of changing circumstances, and that greater flexibility and room for innovation is needed to allow project
28 to achieve optimal results. Similarly, the 2004 International Waters Program Study (IWPS) cautioned that
29 rigid structures and excessive bureaucracy will lead to failure. The lack of flexibility in GEF projects was also
30 noted by some stakeholders during OPS3 field visits. For instance, a number of stakeholders commented that
31 projects are not very flexible in their ability to change funding groups (e.g., to shift money from consultants
32 to equipment). Several reviews from the GEF M&E Unit, including the annual Project Performance Reports,
33 have also stressed the need to clarify policies and procedures to encourage adaptive management of
34 projects.¹⁹⁸

¹⁹⁵ Sjöberg, Helen. “Restructuring the Global Environment Facility.” Working Paper 13. September 1999, p.17.

¹⁹⁶ GEF Council Document. GEF/C.17/9. “CEO Note on Activities Related to the World Summit on Sustainable Development. April 2001.

¹⁹⁷ Boisson de Chazournes, Laurence. “The Global Environment Facility as a Pioneering Institution: Lessons Learned and Looking Ahead.” Working Paper 19. November 2003, p.24.

¹⁹⁸ “Project Cycle Update: Clarification of Policies and Procedures for Project Amendments and Drops/Cancellations,” November 2004.

1 On a positive note, the GEF encourages flexibility in designing and implementing projects through adaptive
2 management¹⁹⁹ techniques, which have provided some flexibility to implementers on the ground. The 2004
3 BPS commented that “The World Bank’s risk management strategies (already in practice) and those of UNEP
4 and UNDP that are under development provide important examples [for GEF projects] of the practice of
5 adaptive management in action at the project level.” The 2004 Climate Change Program Study noted that
6 “many EE projects are now successfully incorporating financing components, partial guarantees and loans,
7 depending on the specific context and set of market barriers and adaptive management.” In addition, the
8 international waters focal area’s operational strategy aims to instill a philosophy of adaptive management,²⁰⁰
9 and the 2004 IWPS observed a move toward projects that “articulate the adaptive management process.”²⁰¹
10 The IWPS cautioned, however, that long time gaps during implementation can lead to difficulties in applying
11 an adaptive management approach, and that good monitoring is key to effective implementation of adaptive
12 management.

13 As a complex network, the GEF faces another challenge related to external and internal changes. It is well
14 known that within complex systems even fairly small changes can ripple through the network and create
15 significantly larger effects. For instance, a change to the fee structure can influence the behavior of the IAs
16 and create corresponding ripples to move throughout the network. The institution of the RAF, for instance,
17 when it occurs will have significant downstream effects on the network that will have to be monitored closely.
18 The need for the GEF Secretariat and OME to monitor the network in terms of its system-wide effects is
19 discussed below.

20 **6.1.7 Maintaining effective relations with external stakeholders**

21 **Historical Context**

22 To support and increase its ability to leverage additional funding from sources, the GEF must maintain its
23 visibility in the international community through effective outreach. OPS1 recommended that the Council
24 fund the development of a GEF outreach and clear communications strategy that targets GEF’s multiple
25 constituencies. The FY00 Corporate Budget made a provision to fund an outreach and communications
26 strategy as a special initiative, which included activities such as a best practices workshop for focal points,
27 GEF displays and project-based workshops at meetings of the Conference of the Parties and subsidiary
28 bodies, an audio visual program broadcasting mainly to recipient countries, and video
29 reproduction/translation. Other elements for greater outreach were also proposed. By FY02, the Corporate
30 Budget reported that the Secretariat had increased the number of its news releases produced and distributed,
31 and placed several articles on the GEF’s operations in newspapers and other serial publications.

32 In May 2001, the Council approved funding for a focused outreach effort about the GEF to be undertaken at
33 the World Summit for Sustainable Development. Relations with external stakeholders have also been sought
34 through other special initiatives, such as UNEP’s Strategic Partnership with the GEF.²⁰¹ In the same vein,
35 STAP’s original mandate, set in 1994, called for the STAP to function as a conduit between the GEF and the
36 scientific community at large.

37 While acknowledging that information and communication services were a relatively recent undertaking in the
38 GEF, OPS2 observed that the GEF still suffers from poor visibility, and that implementing agencies often

¹⁹⁹ Adaptive management is defined as “accommodating changes in project design and implementation to changes in context (implementation environment), if any, with the overall objective of meeting project goals and objectives” in GEF/C.24/Inf.5.

²⁰⁰ M&E Working Paper 10 [INSERT full reference]

²⁰¹ For example, in FY00, UNEP launched the “Global Environmental Outreach” component to mobilize the scientific and technical communities on GEF issues through electronic forums and workshops for certain programmatic issues.

1 omit to give credit to the GEF. OPS2 noted the need for GEF’s objectives and approach to global
2 environmental issues to be better understood in government and civil society, and suggested enhancing its
3 visibility by launching flagship publications on the global environment based on its operational experiences
4 and project results.

5 **Current evidence**

6 In the FY05-07 Business Plan, the GEF Secretariat proposed the development of a Communications Strategy
7 to bring coherence to the activities currently undertaken by the Secretariat and the Implementing Agencies. In
8 the FY05 Corporate Budget, the plan was explained to cover “media relations, partnerships with federations
9 of environmental journalists, publications production and distribution, website maintenance, and outreach
10 support for the Secretariat and Implementing Agencies’ participation in major environmental conferences and
11 conventions.”

12 OPS3 finds that, despite the progress described above in proposing a communications strategy²⁰², there is
13 currently still not an aggressive enough outreach campaign to broadcast GEF accomplishments either to
14 external nor to internal stakeholders, especially those stakeholders like the NGOs who may be many nodes
15 away from the source of the communication from the GEF Secretariat. Outside the GEF, there are not many
16 in the global environmental community, even, who would recognize the GEF as a player. There is also still
17 some confusion internally with respect to who takes credit for what accomplishments, as OPS2 pointed out.
18 OPS3 field visits revealed that some NGOs working on GEF projects (e.g., in Pacific SIDS) were not even
19 aware that the GEF was a source of the project’s funding.

20 **6.1.8 Other Issues and Strategic Tradeoffs**

21 ***Goal definition and structural stability versus adaptive flexibility.*** The logical framework is structured to
22 guarantee that GEF projects clearly define their goals and support the GEF operational principles. Getting a
23 project approved is often a long process precisely because of the hard work done during this phase. The
24 results of this effort, according to the testimony of many stakeholders throughout the network, are well-
25 thought-out projects that are stable and strong. On the other hand, many stakeholders, some of whom were
26 the same as those praising strong design, acknowledged that project circumstances change rapidly and lead to
27 significant changes in the project plan during implementation. One repeated suggestion heard by OPS3 was
28 that the logical framework should be simplified, with goals and objectives—including co-co financing defined
29 completely only during implementation.

30 ***Inclusiveness versus cost effectiveness and network capacity.*** The GEF operational principles require
31 that “[T]he GEF will ensure the cost-effectiveness of its activities” and at the same time “provide for
32 consultation with, and participation as appropriate of, the beneficiaries and affected groups of people.” The
33 degree of inclusivity required for GEF projects can easily lead to extra time and cost in the preparation and
34 execution of projects.

35 **6.1.9 Recommendations**

36 To address the issues discussed above, OPS3 proposes the following recommendations:

- 37 • *The GEF should simplify and streamline strategic direction.*

²⁰² The strategy was begun but had to be put on hold after the loss of the staff member assigned to the task.

1 Goal alignment is still difficult in GEF-3 and further complicated by the inclusion of additional partners and
2 the fact that partners in the GEF are only parts of partners. The GEF must simplify and streamline direction,
3 especially with respect to the OPs and SPs, so that it can be absorbed by partners in an effective way.

4 One step towards simplifying and harmonizing strategic direction in the GEF would be to set up a specific
5 team dedicated to developing policy. Additionally, employing a country or regional portfolio approach could
6 assist in goal alignment in recipient countries. For example, through GEF support to focal points, the
7 National Dialogue Initiative, and the Inter-Agency Task Forces, country partners, IAs, and the GEF
8 Secretariat could work together to align their objectives and build more strategic country portfolios.

9 • *Recipient countries need to be regarded and treated as partners in the GEF network, as well as recipients.*

10 This new and strengthened relationship could be accomplished through a number of activities. The GEF
11 must increase capacity at the recipient country level through an improved focal point and Council member
12 support program. To that end, the current focal point and Council member support system should become a
13 formal program and should be strengthened in a number of ways, including those set out in the GEF
14 Secretariat document *Elements for Strengthening National Focal Points and Enhancing Constituency Coordination in*
15 *GEF Recipient Countries*. Additionally, better follow-up could be conducted after NDI workshops.

16 **6.2 A Discussion of the GEF Entities: Evolving roles and** 17 **responsibilities / Managing collaboration and competition: (TOR 4A** 18 **and 4G)**

19 “In network organizations, ...coordination is predominantly achieved by stable patterns of exchange
20 relationships, which, once established, create trust and make individual action more predictable.”²⁰³ On the
21 other hand, growth of the network is important to maintain its vitality.²⁰⁴ Managing growth while maintaining
22 the trust of the partners is a constant challenge in the GEF. This section discusses the institutional roles and
23 functions of the GEF Secretariat, IAs, EAs, Trustee, STAP, NGOs, and participant countries.

24 “One of the interesting aspects of public and nonprofit networks is that various stakeholders hold them
25 responsible for multiple and conflicting bottom lines – efficiency, effectiveness, accountability,
26 responsiveness, and equity. A network may very well do quite well on some of these measures, only to be
27 judged as failing on others.”²⁰⁵

28 In light of this insight, OPS3 finds that the GEF entities are performing in a satisfactory way, when
29 “satisfactory” is defined to be “progressively more effective management of potentially conflicting bottom-
30 line results.” The challenge of managing potentially conflicting bottom-line results is particularly evident in
31 the case of the GEF efforts to produce results in both a “responsive” and “cost-effective” manner. Because
32 multiple stakeholders and entities will likely define success criteria differently and give them different weights
33 in terms of importance, it is often impossible to come to a single metric that all can agree on. Therefore,
34 “responsiveness” and “cost-effectiveness” will be defined differently by different GEF entities.

35 For instance, “responsiveness” to the recipient countries may mean that GEF projects support the national
36 program. On the other hand, the IAs must be “responsive” to the strategic guidance of the GEF Secretariat.
37 These two definitions of responsiveness may be (although in theory should not be) in some misalignment.
38 Similarly, responsiveness to some of the GEF’s own operating principles means that projects should be

²⁰³ Rank and Wald, 2000, p. 8.

²⁰⁴ Goldsmith and Eggers, 2004.

²⁰⁵ Milward and Provan, 2003

1 include all parties with an interest in the projects. This requirement for inclusiveness means taking additional
2 time to design the project, which of course creates tension in those who criticize the GEF's responsiveness
3 because of the amount of time it takes to move a project from conception to implementation. Inclusiveness,
4 which involves time and resources to build participation, may be seen by other stakeholders as interfering
5 with the cost-effectiveness of projects.

6 In essence, the question of effectiveness and responsiveness raises the question of how the GEF manages the
7 trade-offs between these bottom line results. This has been part of the fabric of the GEF at least since the
8 restructuring talks in 1994 when competing global philosophies were fused into the one network. The dual
9 conditions for Council decisions is a clear indicator that these trade-offs occur each day in the GEF.
10 Satisfactory performance may be thought of as the effective resolution of the trade-offs between
11 responsiveness and cost-effectiveness.

12 There are areas of strength and areas for improvement in the overall performance, but overall OPS3 finds
13 that the GEF is doing an increasingly strong job of understanding and managing these trade-offs. The next
14 five sections present the findings and recommendations of OPS1, OPS2, the Third Replenishment, and the
15 Beijing Assembly, in addition to other specific evaluations, that are relevant to each of GEF entities—the
16 GEF Secretariat, the IAs, the EAs, the STAP, the Trustee, the NGOs, and the countries.

17 **6.2.1 The GEF Secretariat**

18 **Historical Context**

19 The role of the GEF Secretariat has evolved and intensified over the history of the GEF. Originally formed
20 as an administrative office reporting to the World Bank, the GEF Secretariat now reports to Council and
21 interacts and coordinates with partners at all levels of the network. Indeed, the Instrument notes that
22 “responsibility for facilitating and coordinating GEF-financed activities will be vested in the Secretariat.”

23 The Independent Evaluation of the Pilot Phase found that the collaborative arrangements between the three
24 IAs “that were supposed to result in interagency synergy and provide leadership for the GEF as a whole [had]
25 proved to be ineffective.” The evaluation concluded that the overview and management function ought to be
26 strengthened by developing the Office of the Administrator into a Secretariat “that is organizationally,
27 administratively, and functionally independent from the implementing agencies and organizations.” As such,
28 the Instrument outlined roles and responsibilities for a functionally independent GEF Secretariat.

29 Based on the original tasks set out for the Secretariat in the Instrument, as well as on agreements between the
30 Secretariat and the IAs, a paper first introduced in December 2001, and finalized in May 2003
31 (GEF/C.21/Inf.5), further clarified the roles and responsibilities of the GEF Secretariat as shown in Exhibit
32 6-1.

Exhibit 6-1. Roles and Responsibilities of the GEF Secretariat

- Ensure implementation of Council and Assembly decisions
- Coordinate with convention secretariats and represent the GEF at meetings of convention bodies (COPs and subsidiary)
- Promote dialogue with stakeholders (including NGOs) participating in Conventions
- Operationalize convention guidance
- Plan, agree, and coordinate GEF program of support for national focal points and constituency coordination
- Coordinate the program of national, subregional and regional dialogue workshops, including chairing of an interagency Steering Committee for these workshops.
- Prepare the business plan, including strategic priorities; develop operational programs, operational criteria, and GEF pipeline
- Review project concepts (i) for eligibility, according to project review criteria; and (ii) for strategic fit, according to the strategic priorities of the business plan; and manage pipeline entry and exit
- Manage relations with IAs, and with EAs under Expanded Opportunities
- Prepare criteria, standards and priorities for programmatic approaches for Council consideration
- Ascertain that each proposed programmatic approach is consistent with the approved criteria, standards and priorities; (ii) provide guidance on the resources that can be committed; (iii) agree on the roles of participating GEF agencies; (iv) make “go/no go” recommendation.
- Review progress and consistency of programmatic approach with the agreed criteria, standards, and priorities as it develops through the project cycle
- Promote GEF awareness and visibility; undertake outreach for countries, convention meetings, NGOs, private sector
- Manage GEF-wide relationships with NGOs, private sector, bilateral development cooperation agencies and others.

1
2 OPS2 highlighted the increasing role of the GEF Secretariat, noting that, with the expansion and realignment
3 of the GEF Secretariat’s functions, the GEF Secretariat was “severely understaffed to carry out both its
4 present and proposed new functions.” OPS2 praised the ability of the GEF Secretariat to provide leadership
5 for the GEF on what OPS2 described as a “relatively modest budget,” but noted that the “senior
6 management capacity has been stretched and would now benefit from some external advice on the
7 effectiveness of management systems.” To assist the GEF Secretariat in effectively performing its functions,
8 OPS2 recommended that the professional resources and management capacities of the GEF Secretariat be
9 strengthened by:

- 10 • Establishing a separate unit (Country Support Team) that would provide the national operational focal
11 points, in collaboration with the IAs and the EAs, with effective, prompt policy and procedural guidance.
- 12 • Strengthening its capacity to develop and communicate operational modalities that can effectively engage
13 the private sector.
- 14 • Requesting a special human resources planning exercise of the proposed and expanding functions of the
15 GEF Secretariat to give the GEF Council more precise recommendations regarding staffing needs.
- 16 • Contracting an external management review of current management systems and future management
17 needs in the GEF Secretariat.

18 **Current Evidence**

19 **Responsiveness**

20 The GEF Secretariat has typically responded to requests and guidance from Council in a timely manner. The
21 GEF Secretariat is currently undertaking activities to improve parts of the project lifecycle, including meeting

1 with IAs and EAs to discuss proposed new procedures for more closely managing the pipeline (see Chapter 7
2 for a more detailed discussion of pipeline management).

3 To further improve institutional coordination and operational responsiveness, the GEF Secretariat created
4 the new Operations Coordination Team (OCT) in FY04 (GEF/C.23/9). The OCT has organized with the
5 IAs a series of meetings to address and resolve outstanding operational issues.

6 When the needs have been identified, the GEF Secretariat has added staff to help increase responsiveness. In
7 FY02, the GEF Secretariat added staff in the POPs focal area and to support private sector investments, and
8 mainstreamed the GEF Secretariat's Database Administrator to support the Project Tracking and
9 Management Information System (please see Chapter 7 for a detailed discussion of the PMIS). In FY03,
10 GEF Secretariat planned to add a land management specialist. In FY04, the GEF Secretariat planned to fill
11 positions that had been vacated in FY03; however, at the end of FY04, the GEF Secretariat budget was under
12 spent by about US\$1 million since some budgeted positions were not filled, including one for a staff member
13 responsible for knowledge management. The GEF Secretariat did, however, bring on a second staff member
14 to its Country Relations Team, in response to the OPS2 recommendation. For FY05, the GEF Secretariat
15 anticipates filling all the vacant positions.

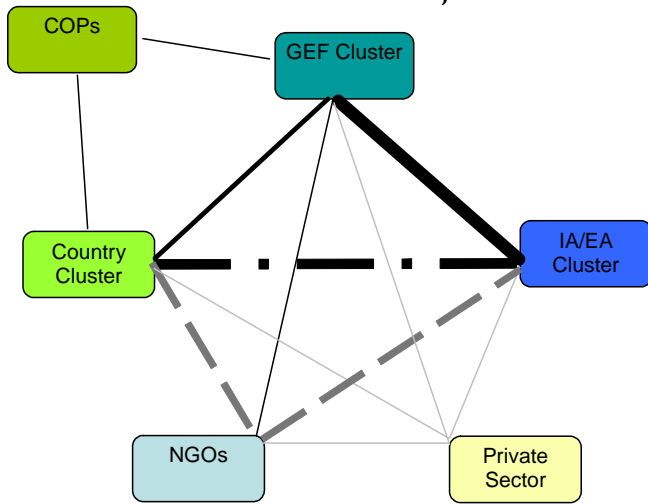
16 **The Cost-effectiveness of the GEF Secretariat as the NAO**

17 Complex networks such as the GEF require a network administrative office (NAO). Through consensus,
18 diplomacy, setting incentives, and sharing information, the NAO coordinates network activities by setting
19 policy, establishing goals, coordinating activities, negotiating parameters of participation, monitoring
20 compliance, and holding the parties accountable.

21 The GEF Secretariat provides the NAO function for the GEF partnership network, coordinating Inter-
22 Agency Task Forces, Executive Coordinator meetings, maintaining the PMIS, coordinating the Council
23 member and focal point support programs and National Dialogue Initiative, undertaking dialogue with the
24 convention COPs, and performing general communication and outreach activities, in addition to the day-to-
25 day activities of managing the project pipeline, approval, and oversight responsibilities.

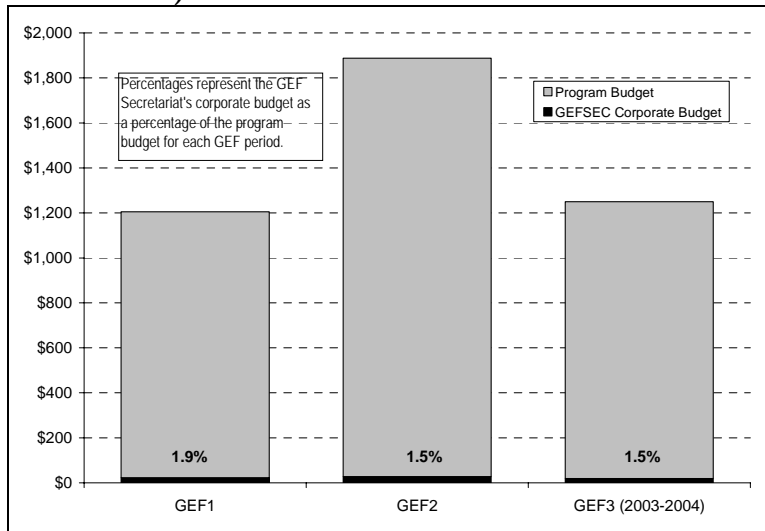
26 As the NAO function matures, the GEF Secretariat may provide coordination services that will help
27 minimize the marginalization of certain GEF partners. For example, while partners such as the recipient
28 countries, NGOs, and private sector are currently marginalized to varying degrees in the GEF, a central
29 coordination function can ensure that they are adequately represented. Exhibit 6-2 presents graphically the
30 current status of coordination with the major GEF partners. In the graphic the thickness and darkness of the
31 lines indicates the relative strength of the relationships between network components. The strengthening of
32 these lines of communication could be catalyzed by the strengthening of the GEF Secretariat as the GEF
33 NAO.

1 **Exhibit 6-2. Coordination with Major GEF Partners**



2
 3 Since transaction costs associated with coordination are inherently higher in a network, they must be managed
 4 carefully. Therefore, one way to consider the cost effectiveness of the GEF Secretariat is to compare the ratio
 5 of the GEF Secretariat's corporate budget to the GEF programming budget over time with the increased
 6 number of communication channels for which the GEF Secretariat is responsible for coordinating.

7 **Exhibit 6-3. GEF Secretariat Corporate Budget as a Percentage of GEF Programming Budget (in**
 8 **millions USD)**



9
 10 Between GEF-1 and GEF 3, the percentage of the GEF corporate budget did not increase dramatically as a
 11 percentage of the annual program budget. During the same period, the complexity of coordinating the
 12 annual program budget increased significantly. As mentioned previously, the number of the GEF Secretariat's
 13 partners increased from about 11 to 21 during GEF-2 and GEF-3,²⁰⁶ about a 100 percent increase. With
 14 these additions, the number of potential communication channels increased from approximately 55 to 210, or

²⁰⁶ Partners in GEF-2 included the Assembly, Council, GEF Secretariat, 3 IAs, Trustee, STAP, UNFCCC, CBD, and Montreal Protocol. Additional partners in GEF-3 included an independent M&E unit, 7 EAs, CCD, and the Stockholm Convention.

1 about a 400 percent increase.²⁰⁷ While it is clear that not all potential channels are actively used for
2 communication coordination-type messages, still the number represents a significantly large number of
3 channels to be managed and therefore a rather hefty increase in coordination costs.

4 Yet, during the same period; overall coordination did grow stronger. The country focal point program and the
5 GEF-NGO network are examples of this increased coordination over time period. Therefore, OPS3
6 concludes that the GEF Secretariat increased its overall cost-effectiveness during that period.

7 However, areas for improvement clearly also exist, and some of these weaknesses may be tied to lack of
8 adequate resources to do the work. If the GEF Secretariat is to strengthen its role as NAO, these resource
9 issues will have to be taken into account.

10 **6.2.2 Implementing Agencies**

11 **Historical Context**

12 During the restructuring of the GEF, the roles, responsibilities, and comparative advantages of the IAs were
13 agreed in a document entitled “Principles of Cooperation among the Implementing Agencies,” which was
14 annexed to the Instrument. In this agreement, the IAs sought to institutionalize a feeling of partnership
15 among themselves, pledging to “[w]ithin an overall cooperative framework, [...] strive for innovative
16 approaches to strengthening their collaboration and effectiveness, in particular at the country level, and an
17 efficient division of labor that maximizes the synergy among them and recognizes their terms of reference
18 and comparative advantages.” This agreement also provided the parameters for those comparative
19 advantages, noting that UNDP would be the lead agency for capacity building and technical assistance,
20 UNEP would have primary responsibility for scientific and technical analysis and environmental
21 management, and the World Bank would be the principal agency for investment projects.

22 OPS1 found that while the original definition of roles and responsibilities of the IAs had been blurred, some
23 of the most important comparative advantages of the IAs “may depend on both the country and the type of
24 institutional process and policy issues involved in a project.” OPS1 thus concluded that the blurring of
25 distinctions among IAs was “not necessarily harmful to the mission of GEF [...and...] could result in greater
26 responsiveness to country demands and greater efficiency in project preparation if more than one agency is
27 capable of implementing the same type of project.”

28 OPS2 observed that “The roles of the three IAs have been crucial in the GEF’s operational achievements
29 [...and...] each has provided technical expertise and operational experience based on their comparative
30 advantages. Their continued strong involvement in GEF operations will be important for the future of GEF,
31 as it also expands to include new executing agencies.” OPS2 also noted the “existence of a larger number of
32 GEF-committed staff within the IAs.” OPS2 commented, however, that “no single IA can on its own absorb
33 all of the present and planned GEF functions. Neither can the GEF Secretariat manage these functions on its
34 own. Each entity is a critical partner for ensuring that the GEF evolves effectively to meet expanded
35 operational challenges.”

36 In the spirit of that partnership, the IAs and the Secretariat agreed on the following roles and responsibilities
37 of the IAs, as shown in Exhibit 6-4, which were featured in a paper first introduced to Council in December
38 2001 and finalized in May 2003 (GEF/C.21/Inf.5).

²⁰⁷ The number of communication channels in a network is calculated as $(N^2 - N)/2$, where N is the number of network partners. [cite source]

Exhibit 6-4. Roles and Responsibilities of the Implementing Agencies

- Implement GEF operations at country level
- Deliver support for specific national focal point
- Provide support for specific constituency
- Undertake country dialogue on mainstreaming GEF operations within overall country programming and on sector policies
- Program at country or multi-country level
- Prepare project concepts
- Develop, prepare, and supervise the implementation of projects
- Manage relations with other executing agencies
- Mobilize project cofinancing
- Work with countries to identify opportunities for programmatic approaches
- Prepare detailed design of an agreed programmatic approach and undertake sector dialogue
- Develop individual project proposals within the framework of the agreed programmatic approach
- Undertake mid-term reviews, Project Completion Reports, project monitoring and evaluation, including projects under programmatic approaches
- Disseminate project level information, including lessons learned

1

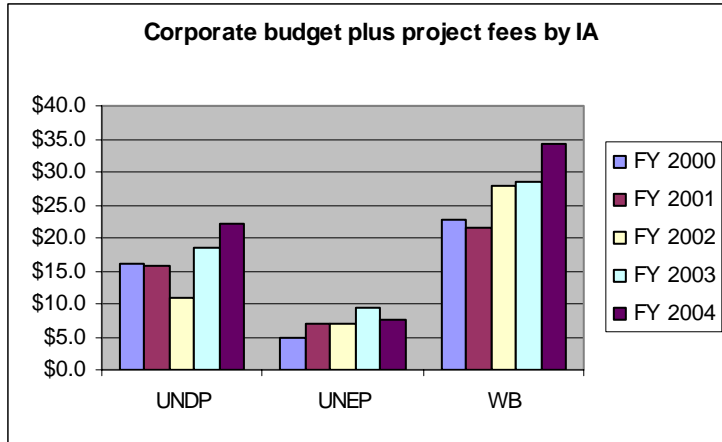
2 **Current Evidence**

3 **Responsiveness**

4 The issue of competing bottom lines was made starkly clear to OPS3 in our consultations with the IAs. While
5 the GEF was originally established on the basis of a partnership between UNDP, UNEP, and the World
6 Bank based on their comparative advantages, all IAs reported to OPS3 that, over time, the partnership has
7 evolved from one based on comparative advantages to one based in part on competition. The introduction
8 of competition as an element of IA decision-making seems to be of two distinct types.

9 The first sense of competition OPS3 observed was introduced to some extent by the Council. IAs report
10 receiving mixed signals from the Council with regard to whether the IAs should continue to collaborate with
11 the other GEF entities and to continue to produce “spillover” benefits in the form of participation on task
12 forces, encouraging inclusiveness, and so on, or whether they should compete with each other for work on
13 the basis of cost. Part of the source for this conflict was a rationale circulated in support of the inclusion of
14 the EAs, namely, that the EAs addition would increase competition among the IAs and EAs and thereby
15 drive down costs.

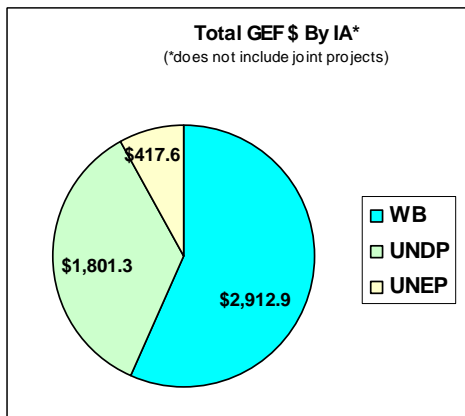
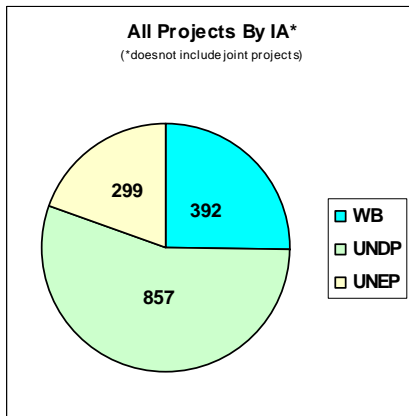
16 While all IAs emphasized that they would prefer to work in a collaborative environment, they all expressed a
17 willingness to enter a phase of strict competition among the agencies if that was the Council’s specific
18 directive. In this competition-first scenario, they would continue to participate in some enterprise activities,
19 financed by the corporate budget allocation that they receive in their role as IAs. However, they would begin
20 to compete for project fees, cut away all aspects of project management not directly related to the execution
21 of those projects, and focus on attaining as large a project portfolio as possible, within the operational
22 principles of the GEF. See the Figure “Corporate budget plus project fees by IA” for a comparison of the
23 relative proportion of GEF money going to the three IAs.



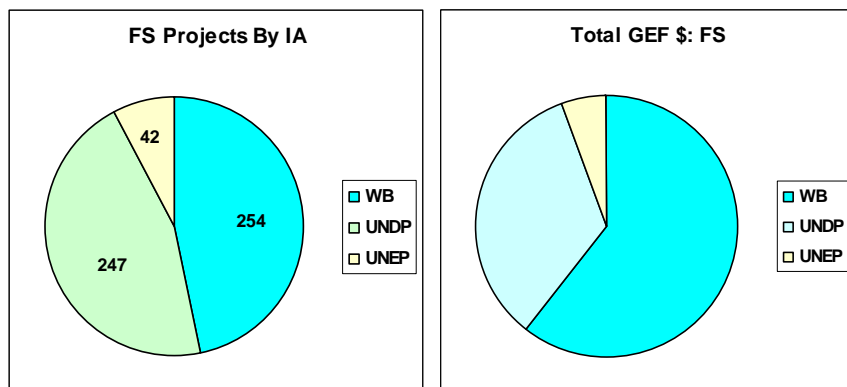
1

2 The second sense of competition OPS3 observes comes from the ongoing overlapping of the roles of the IAs
 3 over time, which is causing friction within the system. For example, while UNDP was tasked to do technical
 4 assistance projects and World Bank to do investment projects, both IAs have done both types of projects.
 5 Similarly, UNEP has typically done global and regional projects, but is proposing a national project. While
 6 the EAs have been granted direct access solely for specific competencies, the additional competition that they
 7 bring to the project arena will likely only complicate the current struggle between competition and
 8 collaboration. Furthermore, the RAF scenario will restrict and constrain the amount of money per country
 9 potentially creating more frictions. The Council should be clear as to whether it would like the IAs to restrict
 10 themselves to their original comparative advantages or whether it would prefer that the IAs compete for all
 11 projects on an equal basis.

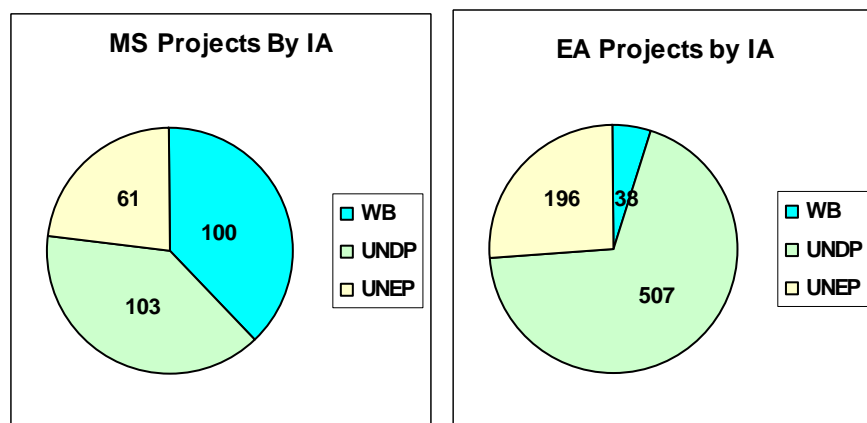
12 The charts below show the number of projects in the GEF portfolio by IA. Projects are shown by total, by
 13 full size, by mid size, and by enabling activity. For total and full size projects, the amount of GEF dollars is
 14 also shown.



15



1



2

3 The charts do not include joint projects. The relative rarity of joint projects among the GEF portfolio is
 4 documented in the Table, Total Joint Projects. IAs, when asked about this fact, responded that joint projects
 5 were not common because of the basic structure of the project, rather than the unwillingness of IAs to work
 6 together.

Total Joint Projects						
	Total # of Joint Projects	Total GEF Amount	Average GEF Amount	Total CoF Amount	Average CoF Amount	CoF Ratio
GEF 1	13	\$106.2	\$8.2	\$284.4	\$21.9	2.7
GEF 2	19	\$121.8	\$6.4	\$285.7	\$15.0	2.3
GEF 3	16	\$174.2	\$10.9	\$378.0	\$23.6	2.2

7

8 One final point about the responsiveness of the IAs is necessary. According to GEF stakeholders, particularly
 9 country focal points and government representatives and NGOs, there is a great variability at the country
 10 level in the quality and effectiveness of stakeholder experiences with the IAs. While in general IAs have been
 11 found to be committed and thoughtful, especially at the headquarters level, countries report inconsistent IA
 12 capacity when interfacing with the focal points and overseeing projects. While UNDP has been responsive

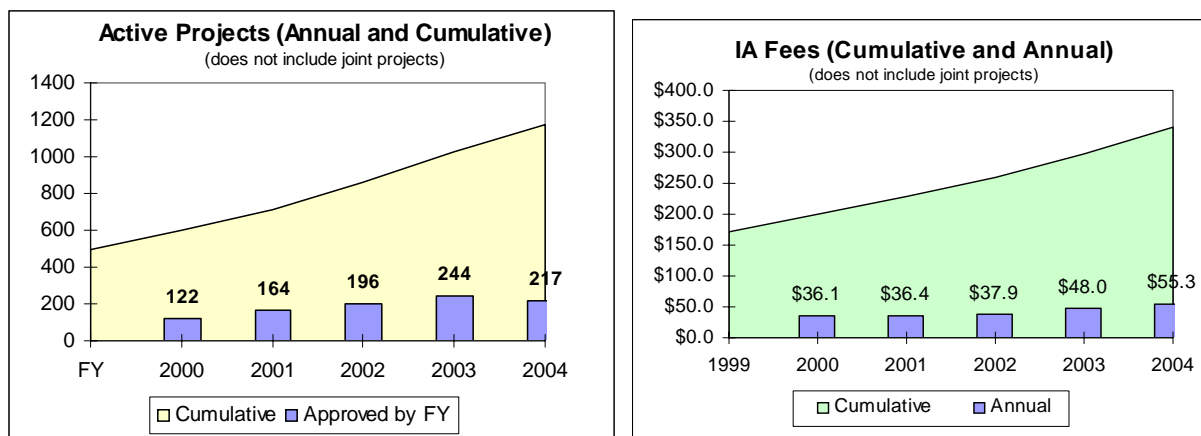
1 by providing staff at the regional and country level, OPS3 found that UNDP country offices had varying
 2 capacities to provide real support to recipient countries. There has also been inconsistent mobilizing of co-
 3 financing among the agencies.

4 **Cost-effectiveness**

5 It is difficult to evaluate project level budget performance because project accounting is not very transparent
 6 among key stakeholders including IAs, EAs, and key program implementation partners on the ground.
 7 Moreover, given the lack of standard indicators for measuring global environmental benefits, it is nearly
 8 impossible to calculate the cost-effectiveness of IAs and EAs at the project level on a dollar per benefit ratio.
 9 As a result, OPS3 only evaluates the cost-effectiveness of the IAs' corporate budget.

10 The IAs' corporate budget (not including project fees) as a percentage of overall GEF programming has
 11 decreased from 1.7 percent in GEF-2 to 1.4 percent in GEF-3.²⁰⁸ In real terms, the corporate budget
 12 remained relatively flat over the past five years. Corporate monies are allocated for the IAs to participate in
 13 network administration-type tasks. Given the increase in communication channels and overall responsibilities,
 14 this suggests that the IAs have been more cost-effective in GEF-3 than they were in GEF-2. However, as
 15 with the case of the GEF Secretariat, areas for improvement still exist.

16 When project fees are taken into account, the IAs annual income more closely reflects the annual program
 17 budget, as is to be expected, since fees are allocated in some proportion to project activities. The chart, Active
 18 Projects (Annual and Cumulative), shows the effect of adding multi-year projects to the GEF portfolio over
 19 time. (Note: The chart takes into account an increasing frequency of project completion, although an estimate
 20 is used in lieu of precise information on completed projects. The chart, IA Fees (Cumulative and Annual),
 21 shows that fees are proportional to the projects (using the same estimate of project completion for fee
 22 completion). Therefore, there should be enough money for the IAs to manage projects through their life
 23 cycles.



24
 25 What these charts do not show, of course, is the amount of interaction among the agencies and among
 26 projects. These types of learning experiences can be expected to increase as the portfolio increases. This is a
 27 critical aspect of the knowledge sharing challenge within the GEF network and one that is usually considered
 28 "in addition to" normal project management, monitoring, and evaluation. As the amount of this learning
 29 increases, a relatively flat corporate budget may not accommodate the task requirements.

²⁰⁸ The GEF-2 period only includes years 2000 through 2002. This is because the IA fee system changed in 1999, and starting in 2000, IAs received a separate corporate budget.

1 **6.2.3 Executing Agencies**

2 **Historical Context**

3 The concept of increasing the number of organizations that could implement projects has been under
4 discussion since the founding of the GEF. The Instrument allowed the IAs to “make arrangements for GEF
5 project preparation and execution by multilateral development banks, specialized agencies and programs of
6 the United Nations, other international organizations, bilateral development agencies, national institutions,
7 non-governmental organizations, private sector entities and academic institutions, taking into account their
8 comparative advantages in efficient and cost-effective project execution.”

9 OPS1 concluded that “increasing the number of Implementing Agencies could result both in an increase in
10 the number of project proposals submitted to the GEF and a broadening of their range [...and...] that
11 increased competition among Implementing Agencies would help reduce the transaction costs of permitting
12 additional organizations to be Implementing Agencies.” The First GEF Assembly in New Delhi in 1998
13 reinforced OPS1, stating that: “GEF should ...expand opportunities for execution of activities to those
14 entities referred to in Paragraph 28 of the Instrument, in particular Regional Development Banks and non-
15 governmental organizations (NGOs).” Building on the momentum of this statement, the Council analyzed
16 criteria and options for expanding opportunities, and adopted a new policy in May 1999 for expanded
17 opportunities for executing agencies.

18 At its meeting in May 2001, the Council approved criteria for selecting new Executing Agencies
19 (GEF/C.17/13), including the following three main criteria: strategic match, capacity, and complementarity.
20 At this same meeting, the Council granted IFAD expanded opportunities in land degradation, and provided
21 direct access to GEF resources to UNIDO and FAO for undertaking Enabling Activities on POPs.

22 The following year, OPS2 recommended that the comparative strengths of the EAs for GEF activities “be
23 carefully examined with respect to areas where the agencies demonstrate fully satisfactory, GEF-relevant,
24 operational capacity to help countries produce effective implementation results. However, once the GEF has
25 ascertained this specific operational capacity, the new executing agencies should be enabled to access the
26 GEF work program and become directly accountable to the GEF Council.” The Participants in the Third
27 Replenishment reinforced this recommendation, stating that ADB and IADB should benefit from direct
28 access to GEF project funding, and that the experience of the other EAs under expanded opportunities be
29 reviewed annually to determine whether they should also receive direct access.

30 **Current Evidence**

31 **Responsiveness**

32 In response to recommendations from OPS2, the Third Replenishment, and the Beijing Assembly, in
33 November 2003, a review of the performance of the EAs recommended that, to reduce the complexities of
34 the IA/EA arrangement and to alleviate some of the constraints impeding more active participation from
35 current EAs, all EAs should be granted direct access to GEF project planning and implementation funds
36 without involving the IAs beyond the initial due diligence reviews (GEF/C.22/12).

37 At its November 2003 meeting, the Council approved direct access for EAs within their agreed comparative
38 advantage and also agreed that on a case-by-case basis, the CEO may approve *PDF-A grants* for the
39 development of eligible concepts by an EA. In the November 2004 Trustee Report (GEF/C.24/Inf.3), the
40 Trustee reported that ADB, IADB, and UNIDO had finalized their arrangements for direct access to GEF
41 resources. Commitments and/or disbursements have been made by the Trustee to ADB and IADB for
42 projects and fee under those arrangements.

1 One of the facts pointed out repeatedly to OPS3 by both IAs and EAs was that the EAs came into the GEF
 2 near the end of GEF-3, when available funding was quite scarce. When the lack of funding opportunities is
 3 combined with the rather recent decisions regarding direct access, OPS3 concludes that the conditions for
 4 EA responsiveness have been somewhat constrained during GEF-3 and that it would be premature to
 5 conclusively determine whether the EAs have been responsive to the needs and requests of the partners.
 6 While EAs have begun to be integrated into GEF coordination activities, for instance, the Office of M&E's
 7 consultative process and the GEF Secretariat's discussions on streamlining the project pipeline, their project
 8 work has been too minimal to evaluate. OPS3 has heard reports that the GEF is yet to be mainstreamed in
 9 the EAs. At this early stage, however, this is to be expected. As GEF-4 proceeds and the EAs begin to be
 10 gain greater access, the GEF should carefully monitor the progress of mainstreaming.

11 **Cost-Effectiveness**

12 In terms of cost-effectiveness, the EAs do not receive a corporate budget that OPS3 could compare to the
 13 overall GEF programming budget. Furthermore, there are not enough projects as yet (and not enough clarity
 14 at the project level) to compare the GEF entities on the cost-effectiveness of their projects. See the table. EA
 15 Projects for GEF 2 and GEF 3, for a list of projects conducted by EAs under expanded opportunities.

16 **Table: EA Projects from GEF 2 and GEF 3**

	Total # of projects	Full size	Mid size	EAs	Total GEF Amount	Total Co-Fi	CoFi/GEF Ratio
ADB	7	4	3	0	\$38.5	\$177.5	4.6
IADB	2	2	0	0	\$8.2	\$20.3	2.5
IFAD	1	1	0	0	\$6.2	\$9.2	1.5
UNIDO	38	0	0	38	\$21.7	\$6.7	0.3
Totals	48	7	3	38	\$74.7	\$213.8	2.9

18 **6.2.4 STAP**

19 Historical Context

20 The effectiveness of the STAP in providing scientific and technical advice to the GEF has been a topic of
 21 discussion since the STAP was founded in 1991. During discussions leading up to the reconstitution of the
 22 STAP in 1994, the function of STAP was envisioned as primarily to advise the GEF on strategic issues, while
 23 at the same time playing a role in ensuring independent review and technical quality of projects.

24 In 1998, and again in 2002, the previous OPS found that a number of problems existed in the STAP's ability
 25 to fulfill its role, particularly in regard to project reviews, where the reviews, although generally reported to be
 26 of good quality, were often performed late in the project design cycle, very quickly, and by a small fraction of
 27 the expert roster, which included a majority of experts from developed countries. Both OPS made
 28 recommendations for organizational structure modifications to the STAP to increase its effectiveness.

29 Recognizing the important role of STAP as a scientific advisory body to the Council, the Participants in the
 30 Third Replenishment of the GEF Trust Fund, recommended that its ability to fulfill its strategic advice
 31 functions be strengthened. The Participants identified needs to "(1) clarify and focus STAP's role in project
 32 development and review; (2) better define its role in the M&E activities of the GEF; and (3) strengthen the
 33 involvement of regional and national level scientific expertise in project development and design."

1 **Current Evidence**

2 **Responsiveness**

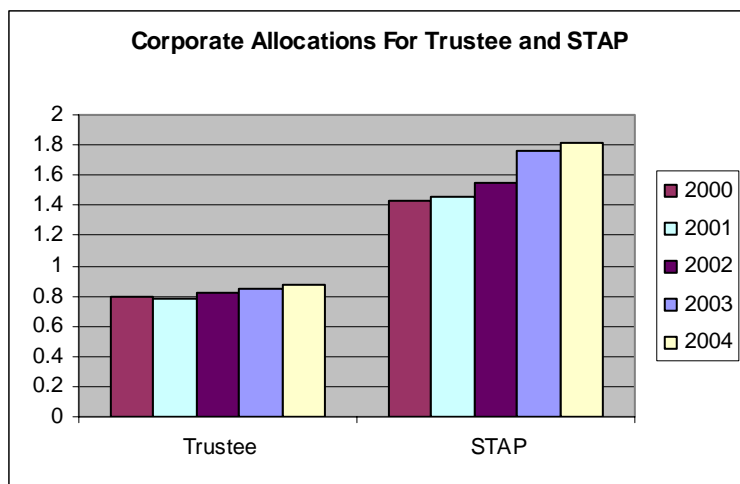
3 In response to the recommendations from OPS2 and the Third Replenishment, the Council, at its meeting
 4 held in May 2002, endorsed the recommendation to stagger the terms of appointment of members to the
 5 Panel by approving the composition of STAP-III. Further, the third meeting of STAP-III, held in October
 6 2003, discussed and agreed on a note prepared by UNEP on the role of STAP (GEF/C.23/10). A new
 7 roster of STAP experts, which includes 224 experts, of whom 40% are from developing countries, was
 8 established in November 2003. New operational rules for the Roster have also been finalized. In October
 9 2004, STAP had extensive discussions with the GEF Secretariat and the IAs about work that the Panel might
 10 undertake over the next two years. STAP decided that it would emphasize its role as a provider of strategic
 11 advice, while continuing to advise on narrower, more technical issues (GEF/C.24/Inf.15).

12 However, despite the highly regarded efforts of the STAP chair in trying to refine and focus the work of the
 13 STAP and coordinate more closely with GEF entities, OPS3 found a general perception among stakeholders
 14 that the STAP is still not nearly as responsive as it needs to be to provide consistent value to the GEF. For
 15 instance, stakeholders report that STAP reports are not always relevant to the GEF, and even when relevant,
 16 are not provided to GEF entities in a timely enough manner to be useful. The use of the STAP roster is still
 17 not perceived as objective since project managers at the IAs are able to choose the roster expert that reviews
 18 their project. Moreover, the STAP has not sufficiently reached out to the scientific and research community,
 19 as its mandate clearly prescribes. OPS3 found a perception among stakeholders involved with the STAP that
 20 STAP members frequently do not have sufficient time to dedicate to their STAP work..

21 The STAP itself appears to be keenly aware of this perception of its marginalized role, and STAP members
 22 commented to OPS3 that their mandate still needs to be clarified and redefined.

23 **Cost-Effectiveness**

24 STAP budget as percentage of the overall GEF programming budget has remained relatively constant of the
 25 life of the GEF (at .3%), although rising slightly in real dollars over the past five years (See chart, Corporate
 26 Allocations for Trustee and STAP. During this time, STAP's responsibility to coordinate with more partners
 27 and more projects has increased. However, it is unclear to many stakeholders what outcomes are being
 28 produced for that budget. This leads OPS3 to conclude that the STAP needs to be significantly refocused in
 29 terms of its mission and structure in order to produce outcomes that are responsive and cost-effective.



30

1 **6.2.5 Trustee**

2 **Historical Context**

3 The World Bank's role as Trustee of the GEF Trust Fund was established in 1991. As Trustee, the World
4 Bank is responsible for the financial management of the Fund, including investment of assets, disbursement
5 of funds to IAs and EAs, and monitoring and reporting on the investment and use of the Fund's resources

6 While the Independent Evaluation of the Pilot Phase found the Trust Fund arrangement with the World
7 Bank to be "satisfactory and well-administered," the role of the Trustee was not addressed in OPS1 nor
8 OPS2.

9 **Current Evidence**

10 **Responsiveness**

11 Stakeholders report that the Trustee has become closer partners with the other GEF entities during GEF-3,
12 including its recent efforts to enhance the financial management process. The Trustee held its first annual
13 financial consultation meeting with the IAs and EAs in October 2003. This meeting provided an opportunity
14 to familiarize the agencies with the financial processes and procedures for commitments, disbursements and
15 financial reporting that is required by the Trustee. At the request of the Council in its November 2003
16 Council Meeting, the Trustee completed drafting and negotiating ten Financial Procedures Agreements with
17 the IAs and EAs during FY04.

18 On the other hand, the Trustee seems to play a back office role within the network. Few of the other GEF
19 entities mentioned the Trustee as a significant force in the activities of the GEF.

20 OPS3 concludes that the Trustee can play a more integral role in GEF-4. For instance, the Trustee mentioned
21 the difficulties of systems integration with the GEF entities, which makes disbursement and tracking
22 cumbersome processes. OPS3 is strongly recommending that the GEF develop an effective MIS during
23 GEF-4. The Trustee, as one of the key stakeholders in the flow of funds through the GEF network must play
24 a key role in the analysis and development of this key system.

25 **Cost-Effectiveness**

26 The Trustee's corporate budget as a percentage of the overall GEF programming budget has decreased in
27 each of the GEF periods, while the real amounts have increased only slightly over the past five years (see
28 Chart, Budget Allocations for Trustee and STAP). On the other hand, the actual amount of funds to be
29 disbursed, as well as the number of partners to disburse to, have increased, OPS3 concludes that the World
30 Bank, in its role as Trustee, has been a cost-effective partner in the GEF network. However, there is a
31 question about whether or not the Trustee can, and should, play a larger role with the GEF Secretariat in
32 improving financial reporting throughout the network.

33 **6.2.6 Monitoring and Evaluation (OME) Unit (TOR 4G)**

34 Monitoring and evaluation are critical functions in the GEF as a partnership network to ensure that the
35 partners in the network are evolving in a coordinated and complementary manner. M&E is a network
36 responsibility of which OME is the steward. As such, the OME cannot be effective without effective M&E
37 from all the partners of the network. Exhibit 6-5 presents the characteristics of effectiveness that OPS3 sees
38 as indicators of effectiveness for M&E in the GEF.

1 **Exhibit 6-5. Indicators of Effectiveness²⁰⁹**

- Are GEF results monitored and evaluated on multiple levels?
- Is there a commonly-accepted conceptual model for how benefits are created by the GEF?
- Are there clear expectations for network (external) outcomes/impacts and how they are measured?
- Are internal expectations and measures for accountability clear?
- Are there clear records of GEF results? Are they the right measures?
- Are evaluation outputs formulated in actionable ways and used by the organization?
- Is quality assurance built into systems?
- Do people throughout the network understand the M&E function? Do people understand their responsibility?
- Is the percent of resources spent on M&E realistic?
- Does the M&E approach demonstrate an understanding of the unique aspects of M&E in a network?

2

3 **Historical Context**

4 In April 1996, the Council approved previous recommendations about the establishment of an M&E unit,
5 thereby formally establishing an M&E at the GEF. Since this roughly corresponded with OPS1, no
6 conclusion could be reaching in that report concerning the performance of the M&E unit. However, OPS2
7 did assess the effectiveness of monitoring and evaluation within GEF, including the role and function of the
8 M&E Unit and found that a better understanding of evaluation responsibilities needed to be developed
9 between the GEF Secretariat and IAs, and that the M&E Unit should strengthen their assessments of results
10 and impacts by focusing on program evaluation—predominantly assessing the effectiveness of GEF
11 investments.

12 Based on these findings, OPS2 recommended that the functions of the M&E Unit should be strengthened
13 and expanded “so that it can play a supporting partnership role in mid-term reviews and project evaluations,
14 particularly by providing advice on TORs for mid-term reviews and final project evaluations, contributing to
15 the review of each of these reports, reviewing and compiling the results reported from project evaluations,
16 and arranging adequate feedback to all GEF partners.”

17 The Participants in the Third Replenishment of the GEF Trust Fund reinforced the conclusions of OPS2,
18 recommending that, among other things, “the GEF M&E Unit, the Secretariat, and IAs and EAs develop a
19 common interagency approach on indicators to be used for more systematic monitoring of activities and
20 document best practices of stakeholder participation,” and that “the GEF M&E unit should be made
21 independent, reporting directly to the Council.” The Beijing Assembly further reiterated the
22 recommendations of the Replenishment related to indicators, the independence of the M&E unit, and
23 procedures to disseminate lessons learned.

24 **Current Evidence**

25 Since OPS2, M&E has been in the process of redefining both its process and structure in the GEF network.

26 First and foremost, in response to the recommendations of the Replenishment and Beijing Assembly, terms
27 of reference for an independent monitoring and evaluation unit reporting directly to Council were approved
28 by Council in July 2003 and a new director of M&E was appointed, bringing international experience and a
29 fresh perspective to the unit. To reflect its independence, in 2004, the M&E unit was renamed the Office of

²⁰⁹ These indicators have been derived from discussions with OME and other stakeholders, as well as a review of literature on the challenges of M&E in a network situation. The indicators provide a foundation for the analysis that follows, although each one is not explicitly dealt with.

1 Monitoring and Evaluation (OME). The new independent structure of OME has implications for the
2 processes of monitoring and evaluation in the GEF, which are now being discussed among the GEF entities
3 through the consultative process, discussed below.

4 **Undertaking the Consultative Process and Separation of M&E Functions**

5 Recognizing that OME responsibilities can only be fulfilled with the collaboration of the GEF Secretariat,
6 the IAs, and the EAs, OME proposed, in *Elements for a New GEF Monitoring and Evaluation Policy*
7 (GEF/ME/C.24/1), to start up a collaborative effort with the evaluation units, offices, and departments of
8 the GEF partners. The purpose of the consultative process is to identify best practices in environmental
9 evaluations and in monitoring the specific issues that the GEF is concerned about. OME held the first
10 consultative workshop in January 2005 with the IAs, EAs, and GEF Secretariat, which OPS3 attended.
11 Follow-up meetings were held in Europe for EAs that were not able to attend in January, as well as additional
12 consultations with STAP, NGOs, and other stakeholders.

13 This consultative process is evidence of growing harmonization of goals and processes across the GEF.
14 OPS3 encourages the continuation of this process, especially given the broad stakeholder involvement
15 approach that OME has chosen. In particular, OPS3 supports the idea of engineering quality into the M&E
16 system through the validation of IA M&E systems. Indeed, the consultative process can be seen as a positive
17 step towards developing a network-wide M&E “community of practice” (COP). COPs are groups of people
18 connected by technology and a common mission, and offer a powerful, minimum-cost way to build trust and
19 understanding throughout a network, thereby improving the overall quality of services.²¹⁰ Trust among
20 partners is a critical key to success in a networked organization, especially in the context of M&E. For
21 instance, the more trust among partners in a network, the less redundant evaluation is required (e.g., one
22 entity evaluates something and presents a result, which is then evaluated by another entity for accuracy).
23 Indeed, the consultative process seems to be building trust and understanding among M&E participants
24 across the partnership network; stakeholders commented receptively to OPS3 on the consultative process and
25 the positive impacts they believed it would generate. In particular, almost all stakeholders agreed that the
26 M&E functions should be separated, and that the process would help to ensure that separation was done
27 effectively.

28 In its document *Elements for a New GEF Monitoring and Evaluation Policy*, OME proposed to start a process of
29 consultation with GEF partners to develop proposals for a new division of labor on M&E activities. Because
30 the current monitoring system in the GEF concentrates on implementation issues rather than on progress
31 towards achieving results, OME considers the monitoring function to be a management instrument to keep
32 activities on track. To better use the monitoring capacities and resources across the GEF system, OME
33 proposed the following roles:

- 34 • *IAs and EAs* would retain responsibility for project monitoring (reporting to the GEF Secretariat) and
35 project evaluation (submitting terminal evaluations and midterm reviews to OME).
- 36 • *GEF Secretariat* would assume responsibility for portfolio monitoring.
- 37 • *OME* would play an oversight and validation role of M&E systems put in place by the GEF Secretariat,
38 IAs, and EAs to insure that GEF concerns and policies are properly incorporated. OME would also be
39 responsible for verifying the attainment of replenishment targets. Additionally, OME would undertake
40 overall performance, cross-cutting, and program studies, and report directly to Council in an annual GEF
41 Performance Report on issues related to the quality of M&E systems, results, and follow-up.

²¹⁰ Goldsmith, Stephen and William D. Eggers. “Governing by Network: The New Shape of the Public Sector.”
Brookings Institution Press, 2004.

1 OPS3 encourages dividing the monitoring and evaluation functions among the IAs/EAs, GEF Secretariat,
2 and OME, especially since it would allow OME more time and resources to focus on other important
3 evaluation activities, such as monitoring at the level of the network (discussed below). Moreover, to date,
4 monitoring in the GEF has focused much more heavily on results at the project level, and not at the project
5 portfolio level (e.g., aggregate trends in the GEF portfolio). Assigning this portfolio function to the GEF
6 Secretariat will ensure that someone has responsibility for this important task and that the impacts of strategic
7 decisions on the portfolio are tracked and fed back into subsequent strategic decisions. That said, if
8 monitoring at the project level is transferred completely to the IAs and EAs, the GEF Secretariat and OME
9 must define clearly not just what the best practices are for monitoring (as discussed above), but also what
10 specific data they expect to see from the IAs and EAs. Further, the information that is reported by IAs and
11 EAs must be compatible with the management and information system (MIS) that is being developed (see
12 TOR 5B for a more detailed discussion of MIS). Collecting that data in a central place is critical for
13 information transparency.

14 While there is still much work to be done to ensure that the monitoring systems of the IAs and EAs—some
15 of which are very sophisticated in their own right—can take into account the specific concerns of the GEF,
16 OME is making progress towards this goal. As an input to the first consultative meeting of M&E across the
17 GEF, the paper *Overview of Monitoring Approaches in the GEF Family* was prepared by an independent consultant.
18 This paper reviews the current monitoring systems in each of the IAs and EAs and concludes that while “all
19 IAs and EAs reviewed have a form of monitoring and evaluation unit/department responsible for the
20 monitoring system design and for the provision of monitoring support and overall guidance on monitoring
21 activities,” there is a definite need to harmonize and standardize IA/EA M&E systems, and to build the GEF
22 network’s capacity to do consistent, results-based monitoring.

23 **Refocusing Monitoring and Evaluation by OME**

24 M&E in the GEF has to date grouped its evaluations by focal area, rather than by country, a reflection in part
25 of the lack of programmatic approach in the GEF. OME’s Four Year Work Plan, presented to Council in
26 November 2004, did, however, identify country portfolios as an area that has not been evaluated in the past
27 four years, and that it would like to focus on. OPS3 would encourage OME to begin to evaluate country
28 portfolios to the extent possible, since projects in countries have ostensibly not been developed to generate a
29 portfolio *per se*. In the event that an RAF is approved by the Council, regardless of the specifics of the
30 framework, it is highly likely that some evaluation of countries’ performance will be required, and it would
31 benefit OME to get a head-start on working out the details and addressing the inherent challenges in
32 performing such evaluations.

33 Moreover, to date, the GEF’s focus on has been on results produced by projects, and the accumulation of
34 those results to constitute the overall results of a focal area portfolio. (OME has conducted several thematic
35 reviews—the Local Benefits study is a good example—that look at network-wide issues, but these studies are
36 less frequent and many issues, such as sustainability and catalytic action, are left to the program studies and
37 the OPS evaluations.). The GEF should be more concerned, however, with the sustainable impact of a
38 portfolio over time than the individual projects that make up a portfolio. Indeed, the focus on the results of
39 individual projects significantly complicates the task of reporting overall results of the GEF, since project
40 results cannot easily be aggregated for an overall portfolio impact. Instead, the GEF has a “patchwork quilt”
41 of positive project results that cannot be simply assimilated. Results should be assessed over time, especially
42 at the country level.

43 To that end, OME has proposed in its Four Year Work Plan to explore whether it is possible to include
44 impact assessments in pilot projects and OME evaluation tools. Recognizing the difficulty of
45 reporting on post-project completion, long-term impacts, OPS3 supports this exploration. In further support
46 of this initiative, the GEF Council must acknowledge that, despite its requests, evaluation of outcomes and

1 impacts is effectively not provided for within the current GEF M&E system, and, perhaps more importantly,
2 will likely not be provided for until the GEF Council decides to provide resources to support such activities.

3 Further, monitoring and measuring results in a complex system is very difficult. Thus, to enable more
4 effective measurement of results, the GEF Council should provide clearer definitions in terms of the
5 expected outcomes, the expected contributions of the partners, and the expected costs. However, clearer
6 expectations are not the panacea to better measurement; in a network as complex as the GEF, and with the
7 added complexity of the fact that the GEF's contribution only covers the costs of global benefits, it is
8 inherently very difficult to measure and attribute results.

9 **M&E at the Level of the Network**

10 In its Four Year Work Plan and Budget (GEF/ME/C.24/5), OME proposed to refocus its evaluations into
11 three main areas: (1) focal areas including OPs and Strategic Priorities; (2) cross-cutting and thematic issues,
12 including local benefits, indigenous people and capacity building, the guiding principles, and country
13 portfolios; and (3) institutional and procedural issues, such as regional and global projects, cost-effectiveness,
14 the project cycle, the fee system, M&E, and knowledge management. While OPS3 assumes that the third
15 main area (institutional procedural issues) is the level of the network, OPS3 would further encourage OME,
16 as it redefines its policy, to think of that area as an evaluation of the organism or the network itself, rather
17 than just institutional and procedural issues.

18 As a partnership network, the GEF reacts in complex, inter-reliant ways to changes in its own rules, as
19 pointed out in the discussion of TOR 4D. For instance, instituting a RAF will have significant ripple effects
20 on the GEF as a network, all the dimensions of which cannot be anticipated pre-implementation. Other
21 changes in the rules of the GEF, such as in the IA fee system or in separating M&E functions, will also have
22 unknown, system-wide impacts. These impacts should be monitored to ensure that such modifications of
23 rules or procedures are not having unexpected negative effects on the functioning of the network.. OME and
24 the GEF Sec should work together to define this range of effects and to decide who should be responsible
25 for monitoring those effects on a real-time basis In doing so, the OME and the GEF Sec should be sure to
26 evaluate the effectiveness of the partnership network according to network characteristics.

27 In this same vein, OME should further investigate the special implications of evaluation in a network
28 organization, as well as emerging approaches to context-sensitive M&E, which instruct that an M&E system
29 “must be sensitive to differences and changes in context to accommodate uncertainties and ambiguities
30 arising from the human factors central to [the program].”²¹¹

31 **M&E at the Level of the Frontier of Environmental Science and Practice**

32 In addition to the three levels of evaluation described in the sections above, OME should also consider
33 monitoring and evaluating benefits at the level of moving forward the knowledge frontiers of environmental
34 science and practice, which, as pointed out in the discussion of TOR 5B, while not the overall goal of the
35 GEF, is a positive externality of GEF activities and takes root in some of the GEF Strategic Priorities and in
36 research components of certain projects. Indeed, as other evaluations such as OPS2 and the Program Studies
37 have indicated, GEF projects have made valuable contributions to the science of environmental management
38 and practice, which should be tracked and reported on. Perhaps OME could collaborate with the STAP and
39 the IAs and EAs in this level of monitoring and evaluation.

²¹¹ Brunner, Ronald D. “Context-sensitive monitoring and evaluation for the World Bank.” *Policy Science* 37: 103-136, 2004.

1 **Absorbing Evaluation Findings and Recommendations**

2 Stakeholders at all levels communicated to OPS3 during field visits that some of the publications produced by
3 GEF M&E have been somewhat inaccessible to them, in large part because they have found the evaluations
4 too dense to be easily digested and integrated into their day-to-day operations. Even at the IA level, some
5 stakeholders reiterated the concern that GEF M&E evaluations were too dense and descriptive to facilitate
6 easy uptake of recommendations. Fundamentally, these comments point to a distinction between informing
7 knowledge and productive knowledge.

8 At the highest level, *Elements for a New GEF Monitoring and Evaluation Policy* (GEF/ME/C.24/1) presented to
9 Council in November 2004 outlined an approach for follow-up on M&E reports through a system of
10 management responses prepared by the GEF Secretariat and a management action record (MAR), maintained
11 by OME for reporting on follow-up to decisions of Council on M&E reports and management responses.
12 While OPS3 finds the management responses to be a very positive step toward promoting accountability for
13 the implementation of decisions by Council, it is only one level within the complex network of the GEF. In
14 order to respond to the concerns of GEF stakeholders at all levels, OME must work to ensure that its
15 recommendations approved by Council are able to be absorbed at the IA, EA, and country levels. This effort
16 will be very closely connected to knowledge management activities that OPS3 is recommending be
17 undertaken in the GEF (please see TOR 5B for a more detailed discussion).

18 **6.2.7 NGOs**

19 Accredited NGOs to the GEF have been organizing themselves through the GEF-NGO Network as of
20 1995. Currently, the network is structured around 15 regional focal points, including one for indigenous
21 peoples in the developing world, 2 regional focal points from donor constituencies, and a central focal point.
22 In May 2003, the roles and responsibilities of GEF partners, including NGOs, were set out in the document
23 “Clarifying the Roles and Responsibilities of the GEF Entities.” The NGO Network was specifically tasked
24 to disseminate GEF policy and project information to multistakeholders and promote ongoing dialogue. The
25 large number of NGOs participating in the GEF, as well as varying levels of capacity with respect to modes
26 of communication, has posed a significant challenge for the NGO Network. OPS2 concluded that the NGO
27 focal point system, with a few exceptions, was “ineffective in information dissemination.”

28 **Current evidence**

29 Roles and responsibilities must be clear, or competition will overcome collaboration among partners. As the
30 proverb goes, “Good fences make good neighbors.” This is especially true for the IAs and EAs who report
31 receiving conflicting guidance on whether to compete or collaborate, a point which is addressed more directly
32 under TOR 4A. In addition to efforts to clarify the roles and responsibilities of the NGO Network and the
33 recipient countries, the GEF partners themselves have made efforts to more clearly define their own
34 functions since OPS2. For instance, in May 2003, the GEF-NGO Network adopted Guidelines for the
35 Coordination Committee of the GEF-NGO Network, to clarify its functioning, structure and the
36 responsibilities of the focal points. The Guidelines also established election procedures to enhance
37 transparency and representation of more than 600 accredited NGOs to the GEF.

38 **6.2.8 Participant Countries**

39 With regards to participant countries, their roles and responsibilities are to (a) identify national priorities, (b)
40 ensure GEF projects conform to national priorities and country strategies, (c) ensure consistency with
41 national priorities for conventions through coordination; and (d) collaborate with GEF M&E unit on reviews
42 of in-country activities. More specifically, the Political Focal Point is expected to serve as the country contact
43 for Council matters and constituency coordination, while the Operational Focal Point (OFP) serves as the
44 Country contact for national policy and project coordination.

1 According to OPS1, the GEF Focal Point system was not adequately institutionalized in some countries, with
2 some focal points not clear on their roles and/or unable to fully carry them out because of internal
3 weaknesses. OPS2 noted the growing need to ensure that the OFP are working effectively, given their
4 increasing importance as more actors are entering the GEF (e.g., executing agencies).

5 **6.3 Other Issues and Strategic Trade-Offs**

6 ***IA/EA collaboration versus competition.*** OPS3 found that roles and responsibilities were not always clear
7 for IAs and EAs, especially with regards to collaboration and competition. On the one hand, IAs are aware
8 of their stated comparative advantage and OPS3's review of the project portfolio across all focal areas found
9 that the majority of projects in the pipeline are well aligned with these comparative advantages. However, the
10 OPS3 review also found there was a number of projects for which it was not possible to discern from looking
11 at the characteristics of the project why a particular IA was the implementer of record. OPS3 also heard
12 testimony from the IAs themselves and other stakeholders, that competition for projects and resources was
13 forcing IAs to look ever wider for projects and investigate new lines of business to support their sustained
14 growth, even when those projects crossed over into the comparative advantage of one of the other IAs. This
15 tendency to blur the boundaries of the IAs' roles is further exacerbated by the addition of the EAs that must
16 find their way within the GEF project context. EAs have an uncertain mandate and a large learning curve to
17 climb in order to function competitively in the GEF "market." In fact only four of the seven EAs with
18 expanded opportunities have signed an MOU with the GEF that officially sanctions their ability to implement
19 projects solely. The fact that EAs are the lead on only 38 of the more than 1,500 projects implemented by
20 the GEF further underscores the nascent aspect of their involvement and speaks to the competitive playing
21 field and dwindling funds under GEF-3.

22 At the same time that competition is, in some cases, straining the trust among corporate entities,
23 collaboration among project proponents, including IAs and EAs, is being fostered by the GEF as a means to
24 improved functioning (and cost-effectiveness) and is specified in the *Instrument for the Establishment of the*
25 *Restructured Global Environment Facility*. In discussions with the GEFSEC and the IAs, it was clearly stated to
26 OPS3 that unlimited competition will be at odds with collaboration. For example, implementing projects
27 jointly and the associated fee sharing implies collaboration, while competition implies developing and
28 implementing projects in a wholly-owned manner with a single manager claiming the entire fee. Left to their
29 own devices, the IAs will not likely be able to solve the equation between competition and collaboration on
30 projects effectively. [Other aspects of the competition/collaboration challenge will be discussed in the final
31 report.]

32 **6.4 Recommendations**

- 33 • *The GEF should formalize the role of the GEF Secretariat as the network administrative office (NAO).*

34 The GEF Council should acknowledge the critical contribution of coordination within the GEF to the
35 success of GEF efforts. This role includes managing the challenges associated with a network—providing
36 strategic alignment, coordinating and motivating network partners, managing trade-offs between competing
37 bottom-line results, managing capacity shortages, and so on. The GEF Council should adjust resources where
38 necessary to allow the GEF Secretariat to coordinate network activities in a more comprehensive and
39 strategic way.

40 OPS3 recognizes, as OPS2 and the 2004 Program Studies have also, that the GEF Secretariat is currently
41 understaffed and under-budgeted to take on this comprehensive coordination function. Unless the
42 coordination function within the network is taken seriously, the network will produce degraded results.
43 Therefore, the GEF must be willing to commit resources to support an NAO in performing the coordination
44 activities essential in a network, as outlined above. The GEF network as a whole may actually be more cost-

1 effective if the NAO were organized and staffed at a level appropriate to the coordination challenge, rather
2 than administering the network using the current somewhat ad hoc approach.

3 To that end, the GEF Secretariat, as NAO, should consider formalizing the following organizational
4 functions:

- 5 ➤ **Communication, Coordination, and Outreach (CCO)** – covers communication with all the GEF
6 partners in relation to capacity and coordination, including
 - 7 ○ *Country partner capacity* – encompasses all the functions currently associated with the Country Relations
8 Team at the GEF Secretariat, including coordinating the Council member and focal point support
9 program and the National Dialogue Initiative. These activities should be expanded, however, to make
10 countries capable of being true partners in the GEF, rather than simply recipients. To that end, a
11 function may be to assist countries in understanding and implementing an RAF, or other important
12 policy decisions that impact country partners.
 - 13 ○ *Communication and outreach* – has two distinct functions—communication with existing partners and
14 with the external community:
 - 15 • *Coordination and outreach with other partners, including NGOs and the private sector* – recognizing that
16 NGOs and the private sector should be full partners in the GEF network (as illustrated in
17 Exhibit 6-2), this function would have responsibility for administering the GEF-NGO Network
18 and, as the GEF starts to engage the private sector more, for reaching out to and coordinating
19 with private sector partners.
 - 20 • *External entity outreach* – as OPS3 discussed under TOR 4D, a more aggressive outreach campaign
21 to broadcast GEF accomplishments to external stakeholders is needed in the GEF. Indeed,
22 greater visibility of the GEF may enhance the catalytic impact of the GEF through increasing the
23 external community’s awareness of the global environmental benefits that the GEF generates
24 and thus their willingness to donate co-financing. To that end, in collaboration with the
25 IAs/EAs, this function is responsible for communicating the GEF results to external entities.
- 26 ➤ **Management, Information, and Policy (MIP)** – encompasses the following functions.
 - 27 ○ *Policy and planning* – developing policy documents for the Council to review at their biannual
28 meetings, including planning documents such as the annual Business Plans and Corporate Budgets,
29 as well as implementation of policy approved by the Council, for instance, the RAF or any new IA
30 fee system.
 - 31 ○ *Information management* – both knowledge management and management information system (MIS)
32 functions (as discussed in Chapter 7) with the bottom-line goal of information transparency in the
33 network and to provide information support for monitoring at the portfolio level.
 - 34 ○ *Project cycle management* – responsibility, in close coordination with the focal area teams, for managing
35 the project lifecycle, including the pipeline.
- 36 ➤ **Focal area teams** – the existing focal area teams would report directly to the deputy CEO and CEO as
37 appropriate, but would also coordinate with the CCO and MIP Teams as needed. Focal area staff would
38 still participate in Inter-Agency Task Forces. However, the question has been raised that with the
39 implementation of a country-focused RAF and a growing interest in an interdisciplinary approach,
40 whether regional teams managing a regional portfolio may be more effective than the current focal area
41 teams.

- 1 • *Roles and responsibilities for all partners must be clear, and outreach/collaboration must be encouraged.*

2 In particular, the GEFSEC needs to work with the IAs/EAs to clarify roles and responsibilities and work
3 through the competition/collaboration challenge—an issue that has the potential to seriously affect the
4 quality of GEF results during GEF-4 if it is not managed effectively and proactively. Because there are
5 already disincentives to collaborate, including competition for resources and projects and there is still poor
6 transparency and less than perfect trust in the system, it is essential that the GEFSEC take more of a
7 leadership role in enunciating the positioning of collaboration and competition in the system. OPS3
8 recommends that an on-going dialogue between the GEFSEC, IAs, and EAs be undertaken to voice issues
9 on the advantages and disadvantages of, and ways to optimize, the competition vs. collaboration nexus. This
10 dialogue could, for example, be in the form of a regularly scheduled workshop or contact group that
11 convenes prior to Council meetings (TOR 4A, 4D). **[Other aspects of the competition/collaboration**
12 **challenge will be discussed in the final report.]**

- 13 • *The role of the STAP should be revisited, and structural and organization changes should be undertaken to allow the*
14 *STAP to provide their reviews in a timely fashion.*

15 The STAP is currently a marginalized partner in the GEF. Several efforts would assist the STAP in becoming
16 a more involved and valued member of the GEF network:

- 17 ➤ The STAP should be the liaison with the external scientific community, providing the GEF with the
18 latest on science and practice trends, and working with M&E on some reviews.
- 19 ➤ To make the roster review process more objective and independent, the STAP, instead of the project
20 managers, should be responsible for choosing experts from the roster for project review.
- 21 ➤ The STAP should undergo structural and organizational changes to enable it to provide relevant
22 reviews in a timely manner. One possibility could be a streamlined STAP of seven panel members
23 (e.g., one panel member to cover each of the focal areas, including the co-chair, and a STAP chair
24 who serves as a political liaison with the other GEF entities) that commit a greater portion of their
25 time (e.g., half instead of quarter time) to serving the STAP. Requiring a greater time commitment
26 from a fewer number of panel members could improve the overall commitment level of panelists to
27 their STAP work. STAP activities would be coordinated through these seven panel members, who
28 would draw on their networks with the greater scientific community, as well as on more junior
29 scientists and consultants who have the time to undertake such activities.

- 30 • *OME should formalize the consultative process.*

31 OPS3 recommends that the consultative process be formalized and institutionalized to create a community of
32 practice of M&E in the GEF, as discussed above, especially if this new division of roles and responsibilities in
33 M&E as proposed by OME is approved by Council. For instance, the GEF entities could meet once or twice
34 per year to check in on the effectiveness of the current process and to share knowledge gained through
35 experience.

- 36 • *Together, OME, the GEF Secretariat, and the IAs and EAs should ensure that monitoring and evaluation is covered at*
37 *all levels.*

38 Through the consultative process, OME, the GEF Secretariat, and IAs and EAs should come to an
39 agreement on how to most effectively separate project and portfolio monitoring from evaluation. Monitoring
40 at the portfolio level is an essential task to inform strategic decision-making by the GEF Council, and should
41 be assigned to the GEF Secretariat, as is currently under discussion. Monitoring at the project level should
42 remain with the IAs and EAs, and OME should work to engineer quality into the M&E system through
43 validation of IA M&E systems. To that end, OME and the GEF Secretariat should establish clear results-
44 based expectations for IAs reporting and ensure that IAs have the capacity to perform that monitoring and
45 reporting.

1 In addition to current focuses on focal area, cross-cutting, and institutional evaluations, as set out in OME's
2 Four Year Work Plan, OPS3 strongly encourages OME to begin to evaluate country portfolios, especially in
3 light of ongoing discussions regarding an RAF in the GEF.

4 Further, while OPS3 regards as a very positive step forward that monitoring at the portfolio level is being
5 specifically called out and assigned to the GEF Secretariat, monitoring and evaluation by OME must happen
6 explicitly at the level of the network. OME should begin to monitor the health and the effectiveness of the
7 GEF partnership network itself, paying particular attention to the ripple effects of changes in GEF
8 procedures and rules, like the employment of an RAF. Perhaps the GEF could adapt the set of criteria for
9 network effectiveness that OPS3 has presented in its discussion of TOR 4D. OME should also begin to
10 monitor and evaluate benefits at the level of the frontier of environmental science and practice, for example,
11 the intellectual contribution that GEF projects are making to the environmental management body of
12 knowledge.

- 13 • *OME should endeavor to better ensure that its evaluations are easily “digestible,” actionable, and relevant to stakeholders.*

14 Keeping in mind that evaluation results will be at multiple levels, OME must carefully consider who its target
15 audience is for each evaluation—Council, GEF Secretariat, IAs headquarters staff, IA in-country staff, project
16 managers, NGOs, focal points, or other stakeholders—and tailor the evaluation output to the needs and
17 absorptive capacity of those stakeholder groups. In this way, evaluation products will be better absorbed at
18 all levels of the GEF, especially among stakeholders further out in the network, such as in-country
19 stakeholders. As noted above, this effort will be closely intertwined with the knowledge management
20 activities that OPS3 is recommending that the GEF undertake (please see TOR 5B for more information.)

21 **7. GEF Procedures**

22 **7.1 GEF Project Cycle (TOR 5A)**

23 Since its introduction in 1995, the GEF project cycle has been a focus of evaluation in the GEF, a guide to
24 project designers and implementers, and a source of both achievement and frustration for many GEF
25 stakeholders. This analysis will address the project cycle at its two main stages, design and implementation, in
26 addition to discussing pipeline management and different project modalities.

27 **7.1.1 Historical Context**

28 The GEF has a history of working to improve all stages of the project cycle. In approving the project cycle in
29 May 1995, the Council “stressed the need to apply project review procedures flexibly, recognizing the
30 differences that may exist among specific projects, focal areas, and regions. The Council agreed to keep the
31 Project Cycle under review, particularly in light of the information and analysis that will be generated through
32 monitoring and evaluation activities.” [cite] It was understood that the cycle should be upgraded by the GEF
33 Secretariat as necessary to reflect any additional policies approved by the Council.

34 Since then, Council has approved a number of other policies and procedures that have upgraded the project
35 cycle. Among many modifications, significant changes to the project cycle have included:

- 36 • The approval of expedited approval and disbursement procedures for PDF grants, enabling activities, and
37 medium-sized projects (MSPs), and the increase of CEO approval authority up to US\$1 million for MSPs
- 38 • The integration and refinement of M&E activities throughout the project cycle
- 39 • Phasing in the logical framework approach for project preparation and review

- 1 • The selective delegation to the Secretariat of the project endorsement review
- 2 • Strengthened country involvement in estimating incremental costs
- 3 • The advance publication of the GEF pipeline to facilitate reviews in member countries
- 4 • The approval of expedited disbursement procedures for PDF grants.²¹²

5 Both OPS1 and OPS2 recognized that the efforts of the GEF entities to streamline the project cycle, and
6 specifically noted that UNDP and the World Bank had both implemented significant reforms of their internal
7 project cycles. However, despite these efforts by the GEF entities to streamline the project cycle, OPS1
8 concluded that the GEF project cycle was “protracted and complex” and that reforms to date had not
9 adequately addressed the problem. Similarly, OPS2 found that “although some streamlining of the project
10 cycle has occurred, there is still a need to further improve GEF review and processing procedures.” OPS2
11 recommended that a tracking system be implemented so that projects could be more easily and transparently
12 followed, particularly by operational focal points. Participants in the Third Replenishment recommended that
13 Council “formulate stricter criteria for project and program quality, including criteria on co-financing, on the
14 basis of monitoring and evaluation experience and lessons learned by the GEF.”

15 **7.1.2 Current evidence**

16 The GEF continues to review the cycle for its effectiveness and efficiency. The Office of M&E is currently
17 completing a study on the project cycle and the sources and factors affecting time lapse at all stages of the
18 cycle. [We need to find out how much we can refer to the draft here]. The Office of M&E is also planning a
19 joint evaluation on the project cycle in the near future [include more details on this study in next draft]

20 [next draft will include discussion of efforts to streamline the project cycle that have been undertaken since
21 OPS2, including GEF documents *Clarification of Policies and Procedures for Project Amendments and*
22 *Drops/ Cancellations and Proposals for Enhancing GEF Medium-Sized Projects.*]

23 During OPS3’s consultations, four aspects of the project cycle were of particular interest and are discussed
24 below:

- 25 • Pipeline
- 26 • Design Phase
- 27 • Implementation Phase
- 28 • Project Modalities

29 **Pipeline**

30 All concepts for GEF projects have to be reviewed and entered into the GEF pipeline prior to further
31 preparation and Council review for work program inclusion. Once a project is officially in the pipeline, the
32 amount of funding that a project requests is subtracted from the pool of availing resources for programming.
33 Consequently, agencies have been eager to get projects in the pipeline in order to reserve future funding. As
34 a result, significant time lags can occur between a project entering the pipeline and being submitted for work
35 program inclusion. Indeed, OPS3 heard reports of projects staying in the pipeline for up to eight or nine
36 years. Currently, because of time lags between pipeline entry and inclusion in work programs, many projects
37 currently entering the pipeline in GEF-3 will not be included in work programs until GEF-4. In fact, the

²¹² GEF/C.16/Inf.7 “GEF Project Cycle”

1 FY05-06 Business Plan (C.24/9/Rev.1) indicated that almost US\$300 million worth of concepts would fall
2 into this category, not including those that might slip to GEF-4 as a result of difficulties in preparation or
3 resource constraints.

4 To keep GEF partners abreast of developments in the pipeline, the GEF Secretariat publishes a weekly
5 bulletin providing pipeline and work program schedules that is distributed to all IAs and EAs. This
6 document also provides information on the program managers responsible for projects assigned to particular
7 strategic priorities under each focal area, as well as the status of the processing of concepts and projects
8 received by the Secretariat. While these efforts are helpful, the GEF Secretariat has recognized that tighter
9 management of the pipeline is needed.

10 In response to this concern, the GEF Secretariat is currently initiating a process to manage the pipeline more
11 closely, including possibly requiring projects to indicate which work program they will be included in or
12 having a maximum number of years that a project can remain in the pipeline. A proposed time horizon
13 (perhaps three years as the standard) would be imposed for all projects in the pipeline. After that time,
14 project concepts that have not moved on would be eliminated from the pipeline unless a strong argument
15 based on the difficulty or complexity of the project start-up activities is provided. OPS3 fully supports these
16 efforts by the GEF Secretariat, especially in the face of additional agencies (e.g., EAs) vying to reserve
17 funding during GEF-4. OPS3 urges, however, that whatever pipeline management strategy the GEF
18 Secretariat decides to implement, the strategy should be transparent to all partners. This requires that the
19 information systems supporting pipeline management are accessible and user-friendly.

20 Design Phase

21 The design phase typically draws the most fire from stakeholders who feel that the phase takes too long, is
22 impenetrable in terms of where projects are in the process, and requires too much specialized expertise to
23 write a design document that meets all the GEF requirements. On the other hand, the design phase does have
24 some notable aspects, including:

- 25 • Stakeholders are extensively consulted during the project design phase; the GEF acknowledges that there
26 is value in these consultations, and funds are provided for it through PDF. Stakeholders at all levels
27 indicated to OPS3 that they are appreciative that the GEF provides such funding, and that, with some
28 exceptions, the additional time it takes to perform the consultations has a positive impact on project
29 implementation and results and is necessary.
- 30 • Comments from the GEF Secretariat are helpful at concept level. However, some stakeholders feel that
31 the Secretariat should focus on strategic, rather than technical details at the work program inclusion level,
32 and that once the project concept is approved, the Council should delegate all other approvals to other
33 GEF entities. This issue was also identified in OPS1 and OPS2.
- 34 • There is a clear appreciation among GEF partners of the concern with the project cycle at design phase,
35 and efforts are being undertaken to conduct further study, and flow those findings into action steps.

36 On the negative side, OPS3 stakeholders identified the following concerns:

- 37 • Many stakeholders think that the average time for full-size projects still appears to be longer than
38 necessary. There is an emerging understanding of the costs of excessive time lapse (examples cited by
39 stakeholders include loss of constituencies (built, then lost), disempowerment of sponsoring agencies in-
40 country, loss of co-financing opportunities, loss of private sector engagement opportunities, etc.).
- 41 • Complexity and lack of transparency of the project process is a major concern. Much of the negative
42 feeling of the stakeholders seems to stem from the fact that once a project is submitted, there is no way

1 to know where it is, what is happening to it, or when to hear anything about its status. This is especially
2 true of its country proponents.

- 3 • An unintended consequence of the GEF's attempts to improve the design of projects by providing more
4 guidance on project development is the additive nature of that guidance. Project proponents must
5 address, for instance, key GEF principles, OPs, SPs, guidance such as co-financing levels and processes,
6 incremental costs, and future sustainability. This proliferation of guidance appears to be the source of
7 some confusion among those involved in developing projects (both at IA and country level).
- 8 • The amount of complicated items to be addressed in project design leads to a situation in which many
9 project proposals are developed by external consultants/specialists that understand the increasingly
10 complex criteria involved with GEF proposal writing. However, these consultant may not be as familiar
11 with the subtleties of the country context. Moreover, the use of external consultants in the design phase
12 causes a disconnect between design and implementation, since the consultants are not involved in later
13 project stages.
- 14 • By encouraging the use of adaptive management techniques, the GEF has acknowledged that the
15 conditions under which a project is implemented change and that management must adapt. Policies and
16 procedures such as the logical framework, incremental cost calculations, and co-financing requirements
17 do not reflect the variable and adaptive stage of implementation.

18 **Implementation Phase**

19 When projects begin implementation, the project managers recognize a universal truth: no matter how good
20 the plan, the reality of the world will quickly tear it to shreds. Therefore, the GEF encourages managers to
21 use flexibility in implementing projects through the use of “adaptive management”²¹³ techniques, the
22 advantages of which the 2004 Program Studies cited as providing flexibility to implementers on the ground.
23 The 2004 BPS commented that “The World Bank’s risk management strategies (already in practice) and those
24 of UNEP and UNDP that are under development provide important examples of the practice of adaptive
25 management in action at the project level.” The 2004 Climate Change Program Study noted that “many EE
26 projects are now successfully incorporating financing components, partial guarantees and loans, depending on
27 the specific context and set of market barriers and adaptive management.” In fact, M&E Working Paper 10
28 stated that the international waters focal area’s operational strategy “aims at assisting countries to jointly
29 undertake a series of processes with progressive commitments to action and instilling a philosophy of
30 adaptive management.” The 2004 IWPS observed a “move toward projects that combine strategic planning
31 with demonstration projects to maintain stakeholder interest and articulate the adaptive management
32 process.”

33 On the negative side, adaptive management needs to be based on a good monitoring system that provides
34 information upon which the manager can make informed decisions. Despite many requests, OPS3 could not
35 find consistent evidence that such clear information exists. Therefore, it is unclear just how adaptive
36 management is being used. Without the necessary information, project managers are often making adaptive
37 decisions in the dark.

38 Furthermore, even with an information-enabled adaptive approach, mid-course corrections can still be
39 difficult. The 2004 IWPS cautioned that long time gaps during implementation can lead to difficulties in
40 applying an adaptive management approach. There is also a sense among IAs that the concept of adaptive
41 management is not backed up in practice (i.e., processes and rules at the GEF do not fully support the goal of
42 allowing adaptive management to happen). For instance, a number of stakeholders mentioned that on their

²¹³ Adaptive management is defined as “accommodating changes in project design and implementation to changes in context (implementation environment), if any, with the overall objective of meeting project goals and objectives” in GEF/C.24/Inf.5.

1 project, reprogramming of funds—say from consultants to equipment—was difficult if not impossible to
2 accomplish.

3 As the 2004 IWPS pointed out, good monitoring is key to effective implementation of adaptive management.
4 Therefore, monitoring at the project level should be strengthened to serve as an input for mid-course
5 correction. To date, stakeholders report that monitoring to help manage projects more effectively is done
6 unevenly among IAs. There is a consensus that monitoring of projects needs to be more firmly placed at the
7 IA/operational level, and that the necessary processes need to be in place in each IA to ensure that accurate
8 and timely information regarding a project's progress in meeting key goals: e.g., on time, within budget, and
9 on target to achieve objectives. This needs to be built into the management system – monitoring as a
10 management practice (as opposed to an administrative requirement, or something that M&E does). Please
11 see TOR 4G for more information on monitoring and proposed roles and responsibilities.

12 **Modalities**

13 GEF, as a continuously improving organization, has created different project modalities to support the
14 GEF's objectives and demonstrated a commitment to constantly evaluating these modalities for effectiveness.
15 As such, the GEF has also approved expedited procedures for approval and disbursement for these
16 modalities (e.g., MSPs, and SGP). OME has included a study on global and regional projects in its Work
17 Plan; these types of projects have never been evaluated before.

18 SGP is well-received by recipient countries and increases the visibility of the GEF. SGP remains one of the
19 most appreciated programs, and many representatives of countries, especially NGOs, that are not currently
20 recipients of the SGP expressed to OPS3 that they wanted to be. The GEF has met its recent targets for
21 increasing the number of countries that participate in the SGP. [cite TORs 2A, 2B, and 3 on relationship
22 between SGP and sustainability]

23 As the recent MSP evaluation pointed out, and as many stakeholders reported to OPS3, MSPs are no longer
24 as expedited as intended.

25 Country-level NGOs complain that they can only get involved in SGPs, which poses a problem for inclusion
26 when countries don't have the NGP options.

27 FSPs take way too long (Check with the time elapse study conclusions.)

28 **7.1.3 Other Issues and Strategic Tradeoffs**

29 ***Risk aversion vs. innovation.*** The GEF is simultaneously committed to both innovative approaches to
30 environmental management, and to achieving results in a cost-effective and successful way. There is also an
31 emphasis on replication to ensure that effective approaches that are developed under the GEF are shared
32 across the institution. This tension between proven successful strategies and those that may be more
33 innovative yet more open to risk creates choices for the GEF in terms of its priorities. One specific area
34 where this is a major concern is in leveraging private sector involvement in GEF activities, where risk may be
35 high, but potential success may be substantial. Consultations with both GEF Secretariat and OME staff
36 indicated that this issue of emphasis across all GEF programs is a high-level strategic issue that has yet to be
37 resolved.

38 ***Approval culture versus results culture.*** OPS2 noted that the GEF should be heading more in the
39 direction of a results-oriented culture than an approval culture. As pointed out elsewhere in this report, a
40 results culture is not fully in evidence at this time. While moves have been made to shift focus to results, and
41 to better assess baselines and indicators for results, OPS3 noted that the emphasis among key stakeholders
42 such as IAs and their recipient country counterparts is on the approval element of the project cycle.

1 Considerable time and resources are spent during the design and approval phase of the cycle, and it appears
2 that available funding in various OPs is as much a driver of project development as are country priorities or
3 results. In addition, the generally additive nature of guidance over time has led to a substantial focus by IAs
4 on following approval procedures.

5 ***Adaptive management and maintenance of the accountability chain.*** There is a dynamic tension
6 between detailed project design in the logical framework and the need for project managers to have flexibility
7 during project implementation to adjust project elements (staff, resources, goals, and so on) as required to
8 meet changing circumstances. The GEF encourages managers to use flexibility in implementing projects
9 through the use of “adaptive management”²¹⁴ techniques. However, often there is only a limited record of
10 any changes in a revised project plan, if indeed the revised plan exists at all. This would lead to difficulties in
11 tracking the achievement of project results, if an MIS existed that permitted such analysis. Furthermore, an
12 adaptive management approach must not become a substitute for effective and in-depth project design.

13 **7.1.4 Recommendations**

14 To address the issues identified above, OPS3 recommends the following:

- 15 • The GEF should implement a single management and information system (MIS) that makes available
16 information on the status of projects at every stage from pipeline entry to completion. This MIS should
17 be accessible to all project proponents, including operational focal points, so that they are able to track
18 their projects through the various stages of the project cycle, thereby improving country ownership.
19 Additionally, the MIS should allow GEF partners to sort projects by focal areas, OPs, Strategic Priorities,
20 as well as by country. Such a system would greatly increase the transparency of the project cycle, and, in
21 doing so, would potentially also reduce the perceived complexity of the lifecycle. Please also see the
22 recommendation that the GEF establish an MIS in TOR 5B.
- 23 • Adaptive management takes into account the realities of the complexities that arise during
24 implementation from context, culture, and other changing environmental conditions. While the GEF has
25 encouraged these techniques during the implementation phase, stakeholders reported to OPS3 that they
26 still experience a lack of flexibility in shifting resources between funding groups (e.g., consultants to
27 equipment). However, effective use of adaptive management requires close monitoring of the conditions
28 for and the effects of adaptive decisions on project structures, budgets, and timing. Therefore, the GEF
29 must ensure that the monitoring tools of the IAs and EAs can effectively fulfill this function.

30 Additionally, the GEF’s project guidance for the design phase needs to be rethought in the spirit of
31 adaptive management. Develop better guidelines to back up the concept of “adaptive management” –
32 there should be genuine flexibility, and a recognition of the need to avoid delays in mid-course
33 corrections. For example, the following aspects of project design could potentially be affected:

- 34 ➤ *Logical framework* – recognizing that the specifics of project implementation will likely change from
35 the design phase to implementation phase, it may not be useful for the logframe to be overly detailed.
36 Instead, perhaps the logframe could focus on techniques for adapting to changing conditions in the
37 projects or on risk management activities.
- 38 ➤ *Co-financing* – Many stakeholders reported that the requirement that projects have up-front
39 commitment from co-financers to be approved poses great difficulties to successfully attaining co-
40 financing. Government and private sector co-financers are often reluctant to commit to co-financing

²¹⁴ Adaptive management is defined as “accommodating changes in project design and implementation to changes in context (implementation environment), if any, with the overall objective of meeting project goals and objectives” in GEF/C.24/Inf.5.

1 a project that has not yet been approved and will not be implemented for several years in the future.
2 To that end, building more flexibility into co-financing procedures could actually improve overall
3 levels of co-financing. The GEF should investigate what proportion of funding is actually leveraged
4 during implementation; if projects are largely successful in leveraging resources, the GEF should
5 consider relaxing front-end co-financing requirements.

- 6 ➤ *Incremental costs* – As OPS3 discussed under TOR 4D, there is a widespread lack of clarity regarding
7 how to determine levels of incremental costs. While the GEF Secretariat and IAs were requested to
8 clarify the concept and provide a framework example of how to calculate these costs, this has not
9 been done. To date, stakeholders report that the computation of incremental costs is done in a
10 inconsistent manner. Streamlined guidance on incremental costs, as well as a standard algorithm for
11 calculation, should be issued, and the GEF should consider what the impact of relaxing this
12 requirement would be. For example, most MSPs are currently proposed at just under their maximum
13 value of US\$1 million [give actual percentage from project database], thus it is unlikely that easing the
14 burden of the incremental costs calculation would have a significant impact on the value of projects
15 proposed.

16 **7.2 Lessons Learned and the Use of Knowledge Gained (TOR 5B)**

17 Modern networks are absolutely dependent on information infrastructure. The goal of the network is to
18 ensure that information is transparent—clear, easily accessible, on time, and accurate—for all partners, within
19 the constraints of reasonable information security.

20 One of the 10 GF operational principles requires that the GEF be transparent in all its dealings with its
21 stakeholders and entities. The GEF abides by this policy in the area of information management—that is,
22 whatever information that is collected is made publicly available on the GEF Web site, including Council
23 documentation, M&E reports, and GEF operational policies and procedures. However, part of information
24 transparency is identifying, collecting, and disseminating the right types of information to meet the needs of
25 the network. In that regard, the GEF is significantly less successful. To that end, this section will address
26 more broadly this issue of information transparency in two parts – lesson learning and knowledge
27 management, and management information systems.

28 Lessons learned and feedback will be addressed at three levels in the GEF partnership network, including the
29 project level, which is the focus of the TOR question addressed in this section. Lessons can also be learned,
30 however, at the level of systems and processes, such as the project cycle itself, and at the level of pushing
31 forward the knowledge frontier of environmental practice.

32 **7.2.1 Lessons Learned and Knowledge Management**

33 **Historical Context**

34 The integration of lessons learned and feedback into project design and implementation is an issue that the
35 GEF has grappled with since its inception. As mentioned in the discussion of TOR 4G, the 1993 GEF-
36 commissioned Independent Evaluation of the Pilot Phase found that the GEF had “not been successful in
37 establishing a mechanism for systematically learning from experience as a GEF-wide operation” and “no
38 GEF-wide system had been set up to systematically gather and disseminate this information.”

39 Despite the recognition of a lack of systematic mechanism to identify, capture, and disseminate lessons
40 learned so early on in the life of the GEF, however, OPS1 and OPS2 both identified the lessons learned issue
41 as only partly addressed. OPS1 noted a tendency to limit information to a relatively narrow circle of
42 government stakeholders, and not consult widely, and found that the recommendation of the Pilot Phase
43 evaluation to establish a permanent mechanism for identifying and applying lessons learned had only been

1 partially implemented. Four years later, OPS2 still found little evidence that GEF entities fully considered
2 and utilized lessons learned documents or other publications that include lessons learned. OPS2
3 recommended that a strengthened information dissemination system and institutional partnerships with the
4 IAs and operational focal points be established. Specifically, OPS2 suggested that the GEF strengthen,
5 facilitate, and accelerate the process of sharing of lessons learned, especially among IAs. It was felt that
6 specific efforts needed to be made to encourage more systematic use of the results and outputs of GEF-
7 funded projects for the improvement of national environmental plans and strategies. To increase the scope
8 of operational lessons learned, OPS2 also noted that more effective methods of sharing field experiences
9 among in-country project officers and field staff were necessary.

10 The Participants in the Third Replenishment of the GEF Trust Fund concurred with OPS2 and made the
11 following recommendations:

- 12 • The GEF Secretariat and IAs and EAs should establish a procedure to disseminate lessons learned and
13 best practices emanating from the monitoring and evaluation activities.
- 14 • A formal “feedback loop” should be established between evaluation findings and management activities
15 to ensure more systematic use of the results and outputs of GEF projects for the improvement of
16 planning and subsequent activities.
- 17 • As each of the IAs and EAs has its own system for drawing lessons from operational experiences, the
18 GEF M&E unit should facilitate more intensive interagency sharing of experiences relevant to the GEF.

19 The Beijing Assembly reaffirmed the recommendations of OPS2 and the Replenishment, stating that the
20 GEF should establish procedures to disseminate lessons learned and best practices to ensure more systematic
21 use of the results and outputs of GEF projects for the improvement of planning and subsequent activities.

22 **Current evidence**

23 Certain efforts are currently being undertaken in the GEF partnership that attempt to capture lessons learned
24 at the project, processes/systems, and environmental practice levels. At the project level, lessons learned are
25 identified through semi-formal mechanisms, including Annual Project Implementation Reviews (PIRs) and
26 Project Performance Reports (PPRs), terminal and final project evaluations, as well as Terminal Evaluation
27 Reviews (TERs) performed by the Office of M&E. Additionally, as the 2004 Biodiversity Program Study
28 (BPS) pointed out, “opportunities for institutional lesson learning and direct incorporation within the GEF
29 Secretariat and the IAs” also exist in the Inter-Agency Task Forces. OPS3 finds that the Executive
30 Coordinators’ meeting is a mechanism for exchanging lessons learned. The International Waters Learning
31 Exchange and Resource Network (IW:Learn) has been a successful, albeit unique, mechanism in the
32 international waters focal area to undertake and encourage lessons learned (see Exhibit 7-1). UNDP also has
33 a system that allows project proponents to post questions and receive answers from various participants
34 across the globe confirm this.

Exhibit 7-1. IW:Learn

In 1999, IW:Learn was launched to improve “global management of transboundary water systems by increasing capacity to replicate best practices and lessons learned in each of the GEF International Waters Operational Programs.” Several different aspects of IW:Learn were launched to achieve this goal, including formal distance learning courses, the development of a web-based information system including all GEF IW projects and the provision of new knowledge products and tools, a number of e-forums, and training to generate new networks and help projects achieve higher standards in information exchange. IW:Learn is widely regarded as very successful by stakeholders at all levels, and the 2004 IW Program Study reported that a large number of IW project managers had found the IW:Learn website an important instrument for locating information on IW projects.

The IW:Learn project also funded the first two biennial GEF IW Conferences in Budapest in October 2000 and in Dalian in September 2002, which brought together most of the IW project coordinators, together with task managers, key specialists, GEF Focal Point representatives, and relevant staff from IAs and Executing Agencies.

1

2 In addition to these somewhat formal mechanisms, lessons learned at the project level are also identified in a
3 sporadic and ad hoc manner. The 2004 BPS found that “ad hoc lesson learning takes place actively, at all
4 times, at many levels of interaction (for example, within projects, among projects, between the GEF
5 Secretariat and their IAs, and vice versa) and from the GEF to its larger constituency in the public sector,
6 civil society, and the private sector.” Through its field visits, OPS3 found that in-county stakeholder groups
7 that seek to capture lessons learned are also formed on an ad hoc basis, for example, in China related to
8 renewable energy projects.

9 Further, the IAs have generated some knowledge publications. For instance, in the FY05 Corporate Budget,
10 UNDP reported developing a series of “Advisory” and “Good Practice” notes for the GEF based on its “on-
11 the-ground” experience in projects by UNDP staff. The UNDP publication on solar PV projects in Africa is
12 widely regarded as a good knowledge product. The 2004 Climate Change Program Study also noted the
13 generation of several learning products by the World Bank, including an “incisive analysis of its EE
14 portfolio.” GEF projects also sometimes aim to gather lessons learned, such as the UNEP projects
15 “Development of Best Practices and Dissemination of Lessons Learned for Dealing with the Global Problem
16 of Alien Species that Threaten Biological Diversity” and “Development and Implementation of Mechanisms
17 to Disseminate Lessons Learned and Best Practices in Integrated Transboundary Water Resources
18 Management in Latin America and the Caribbean.”

19 There is also evidence that the GEF has incorporated these lessons learned into project design and
20 implementation in an ad hoc manner. The 2004 BPS noted that the GEF had or is incorporating findings and
21 recommendations on issues such as “stakeholder participation [and] the improvement of linkages with other
22 sectors of the economy.” The 2004 International Waters Program Study (IWPS) reported that the
23 TDA/SAP process, properly managed and monitored, “enables the successes and inevitable mistakes made in
24 project design and implementation to feed back into the process as lessons learned.” As further support for
25 lesson learning being mainstreamed into GEF processes, the approaches used under Enabling Activities for
26 POPs rely heavily on the experience gained in the BD and CC Focal Areas

27 At the processes/systems level, the GEF has shown itself to be effective in generating and incorporating
28 lessons learned. The ongoing review and amendments of the project lifecycle, such as streamlining MSP
29 procedures, is one indication that lessons are being learned. Lessons learned are generated in fairly high
30 volume—in addition to its annual project performance report and terminal evaluations, GEF M&E has
31 completed more than five major evaluations since OPS2, including three program studies. In terms of
32 incorporating lessons learned, Action Plans are developed to respond to the recommendations of the OPSs,
33 Replenishments, and Assembly, and other evaluations, and progress on implementing the recommendations

1 is periodically assessed. Moreover, the document “Elements for a New GEF Monitoring and Evaluation
2 Policy” (GEF/ME/C.24/1), approved by Council at the November 2004 meeting, called for management
3 responses for all reports presented to the Council by the Office of M&E including all GEF focal area
4 program evaluations, and cross-cutting and thematic reviews. The Council is then expected to review the
5 evaluation report and the management response and give guidance to the GEF on a plan of action with
6 specific timeframes. These decisions are to be recorded in the “Management Action Record” (MAR), which
7 will be kept by the Office of M&E. The GEF Secretariat is requested to report annual to the Council on the
8 follow-up of the Council decisions included in the MAR.

9 There are also indicators that lessons have been learned at this broader level; for instance, the direction that
10 the Office of M&E is taking with respect to harmonizing and standardizing M&E across the GEF network
11 (see TOR 4G), the formation of an Operation Coordination Team in the GEF Secretariat (see TOR 4A), and
12 the re-formation of the Country Dialogue Workshops into the National Dialogue Initiatives (see TOR 4D),
13 are all signs that members of the GEF network identify lessons and integrate them into future activity at the
14 processes/systems level.

15 The third level of generating and incorporating lessons learned is the level of moving forward the knowledge
16 frontiers of environmental practice, which, while not the overall goal of the GEF, is a positive externality of
17 GEF activities and takes root in some of the GEF Strategic Priorities. The Strategic Priorities were in part
18 developed to “identify gaps in the GEF portfolio and niches for *innovation* that need to be explored [emphasis
19 added].” For instance, accordingly, one of the Strategic Priorities in the land degradation focal area is
20 “Implementation of Innovative and/or Indigenous on-the-ground Investments.” Thus, clearly the GEF
21 expects itself to make a contribution to global environmental practice through innovative approaches. At this
22 level, some GEF projects have incorporated research components to find effective approaches to
23 environmental problems that provide valuable information for making good environmental management
24 decisions. For instance, the GEF project on large marine ecosystems has been regarded as developing
25 important research data for integrated ecosystem approaches.

26 [Note: May add discussion about the notion of the GEF being risk averse and the Council demanding cost-
27 effectiveness – at some level being innovative will mean some projects will not succeed]

28 Although there are some informal subparts of a system for learning lessons as identified above, OPS3 was
29 not able to identify any systematic, comprehensive, GEF-wide approach to ensuring that lessons learned are
30 captured and disseminated properly throughout the network. Moreover, there seems to be broad consensus
31 at every level of the GEF partnership that lessons learned are not being identified, collected, and utilized in
32 any cross-network, integrated way.

33 Recent evaluations have also highlighted the inadequacy of current processes for capturing lessons learned.
34 The 2004 BPS, for instance, concluded that “the majority of projects do not or have not included distinct
35 components for the dissemination of lessons learned (both from achievements and shortcomings) or best
36 practices developed during the life of the project at any level of implementation—local, national, regional, or
37 global.” To that end, it was recommended that an “overall strategy and action plan for Knowledge
38 Management in the GEF Biodiversity Program, including collecting, compiling, and analyzing information
39 acquired at the project level for program-level consolidation and distribution to GEF partners and the global
40 conservation and development community, [be established].” The 2004 Climate Change Program Study
41 (CCPS) noted that the climate change program had “benefited from some very good knowledge sharing
42 initiatives [...] within IAs, and at headquarters level within the Climate Change Task Force.[...] However,
43 learning within the GEF family has been neither systematic nor systemwide, nor has it had strong outreach to
44 outside expertise. This has diminished both efficiency and effectiveness of the GEF Climate Change
45 Program.” In particular, three challenges for better learning and knowledge sharing were identified: (1) there
46 is a need for better horizontal exchange, especially at the implementation stage, between projects within the
47 same clusters, as well as within and between countries; (2) the centralized nature and long and indirect vertical

1 communication chain of the GEF system creates communication problems for active learning; and (3) a risk
2 for GEF issues “falling between the cracks” exists depending on the extent to which GEF climate change
3 concerns are mainstreamed in the IAs. The CCPS recommended that “The GEF Secretariat, together with
4 the IAs and assisted by GEFME and STAP, should develop a strategic and pragmatic approach to capturing
5 and sharing information and knowledge within the climate change area, both among projects and between
6 headquarters and the field and supported by electronic knowledge systems.”

7 As the Pilot Phase Evaluation, OPS1, OPS2, Third Replenishment, Beijing Assembly, and 2004 BPS and
8 2004 CCPS have all pointed out, the lack of formal mechanism for lesson learning at each level in the GEF
9 partnership has serious ramifications for the GEF, especially at the project level. Given that there has not
10 been an adequate systematic process for capturing lessons learned over time, there is a real risk that
11 substantial lessons learned and capacity, institutional knowledge among individuals will be lost if it is not
12 captured/recorded. OPS3 field visits revealed that not sharing lessons learned can and has led to some
13 redundant projects, [for instance...]. The 2004 BPS noted that “Given the weakness of the process for
14 integrating lessons learned from more than a decade of experiences in project preparation and
15 implementation, the Biodiversity Program runs the risk of perpetuating the status quo and precludes the GEF
16 from being able to truly focus its resources in ways that might have the highest chance of significant impact.”
17 The 2004 CCPS also commented that without “systematic learning, the GEF innovation and replication will
18 be less effective.”

19 That said, since OPS2 there has been positive movement towards developing a KM system for the GEF to
20 identify, capture, and disseminate lessons learned. Acknowledging that little progress had been made to
21 develop KM systems on a GEF-wide basis, in its interim Work Plan for FY03-06 (GEF/ C.21/13), the M&E
22 unit proposed to develop a KM strategy based on primary user needs and priorities and the latest
23 technologies and approaches and to pilot this strategy in the climate change focal area. The M&E unit also
24 agreed to make a greater effort, in collaboration with the GEF Secretariat and IAs and EAs, to close the
25 feedback loop by providing evaluation findings and recommendations in a timely and readily accessible form
26 to the relevant decision makers.

27 In the GEF Business Plan for FY05-07 (GEF/C.22/6), the Secretariat, in collaboration with the IAs and
28 EAs, STAP, and the independent M&E unit, proposed to begin developing a KM management framework in
29 the GEF, building on existing frameworks in the partner agencies. Drawing upon what the agencies, GEF,
30 and Office of M&E are already doing, the aim would be to develop the framework and initial set of products
31 for knowledge management within the GEF, taking into account the Council and GEF operational mandates
32 and to pilot the framework in two focal areas (climate and biodiversity). The concept of KM was defined in
33 the Business Plan as the process of creating and internalizing what is learned and turning it into behavioral or
34 organizational change and improved performance.

35 In May 2004, the Council acknowledged KM as a corporate GEF task to be led by the GEF Secretariat with
36 the support of the IAs by approving the FY05 Corporate Budget (GEF/C.23/9) that included US\$0.49
37 million for KM in the GEF Secretariat’s budget. This position, however, not yet been filled. This is in part a
38 result of the fact that while there seems to be a general acknowledgement by most GEF partners that KM is
39 needed, questions remain about where this function should be housed and how it will be operationalized. In
40 this context, the M&E unit proposed to concentrate initially on developing better procedures, tools, and
41 methods to disseminate lessons and knowledge gained from evaluations. Other key initial areas to be
42 explored further were also identified, including knowledge user needs, effective channels and mechanisms for
43 dissemination, two way communication and networking.

44 Regarding its mandate in its terms of reference to “develop a knowledge management strategy based on user
45 needs and priorities and the latest technologies and approaches, subject to budget resource availability”, OME
46 pointed out in its 2004 *Elements for a New GEF Monitoring and Evaluation Policy* (GEF/ME/C.24/1) that it is on
47 the supply side of knowledge, and that any KM strategy from the supply side will fail if there is no structure

1 or strategy on the demand side. Thus, OME proposed to seek full interaction with the relevant other actors
2 in KM to further explore how its products should be made available in and outside of the GEF family.
3 OPS3 also acknowledges this issue of KM demand; currently, while GEF partners seem to want learning, the
4 demand for this learning needs to be shaped somewhat to accommodate the supply. The GEF must
5 highlight the importance of sharing knowledge and lessons learned among GEF partners in order to improve
6 project design, implementation, and general operations.

7 In brief, despite the current inadequacy of KM in the GEF, there appears to be positive discussion in the
8 GEF on the topic of how to enhance KM within the GEF, as well as some agreement that pragmatic
9 approaches that leverage existing GEF entity resources may be the most effective route for improvement of
10 KM.

11 **7.2.2 Management and Information Systems (MIS)**

12 **Historical Context**

13 The establishment of a GEF Project Tracking and Management Information System (PMIS) was first
14 discussed in the *FY01-FY03 Corporate Business Plan* (GEF/C.14/9) in November 1999. It was felt that the
15 GEF's "unique structure and the diverse, open, and transparent partnerships" required new management
16 techniques, including modern information technologies. The GEF IA Executive Coordinators, at their
17 March 2000 meeting, further agreed that "GEF and its partners should expeditiously develop an electronic
18 information and portfolio system whereby all stakeholders can view the status of a proposal or a project from
19 the proposed concept to implementation."

20 At its May 2000 meeting, the GEF Council approved US\$250,000 for a special initiative to design, develop,
21 and implement an integrated GEF PMIS. In the FY01 Corporate Budget, the PMIS was described as "critical
22 to the success of GEF's mission, including its efforts to develop and strengthen partnerships and
23 collaboration with multiple organizations and to making readily available the essential information and data
24 on its operational experiences and its project portfolio to its member countries, clients and external partners."
25 To enable and facilitate the access, dissemination and exchange of data/information and documents/reports
26 to and by all involved and interested parties, the GEF Secretariat, in collaboration with the IAs, proposed to
27 create a robust and user-friendly integrated PMIS. The system was intended to build on and draw from the
28 existing information systems and databases maintained by the GEF units. Prior to the PMIS, GEF
29 Secretariat relied on a number of stand-alone databases that were independently created and maintained by
30 GEF Secretariat teams in various formats (i.e., MSWord®, MSeXcel®, MSAccess®). The PMIS was
31 proposed to provide the GEF Secretariat with a single comprehensive centralized database system.

32 Using MS Access® as the database software, the PMIS was intended to provide a mechanism for efficient
33 data input and transfers, a standard format for data update and exchange with IAs, preparing regular standard
34 reports by the GEF Secretariat for both internal and external purposes. In a progress report presented at the
35 May 2001 Council meeting (GEF/C.17/Inf.12), the GEF Secretariat reported that the PMIS was already
36 realizing the following benefits:

- 37 • "Providing complete, accurate, updated, and reliable data pertaining to all GEF projects from pipeline
38 entry until completion and evaluation;
- 39 • Maintaining all GEF project data in one efficient centrally maintained, readily accessible, and consolidated
40 database;
- 41 • Facilitating user-friendly data analysis and customized report preparation, including the preparation of the
42 half-yearly ORGP; and

- 1 • Making available to the public, through the [Project Tracking and Mapping System] PTMS, six-monthly
2 updated GEF project-related information.”

3 The PMIS was successfully tested in March 2001 and operationally deployed in mid-April 2001. Data from
4 the separately maintained databases in the GEF Secretariat were consolidated into a centrally maintained
5 Microsoft Access database. A direct link was also established between the PMIS and the PTMS, which is
6 maintained on the GEF website.

7 However, OPS2 noted limitations in terms of available data and specifically commented that “the database
8 for reporting on co-financing in the GEF is surprisingly weak.” OPS2 also found that “more and better
9 focused information services need to be provided by GEF to empower the operational focal point system in
10 each country to execute their tasks more effectively [including providing] them with improved access to
11 available GEF project information from the global databases.”

12 Current Evidence

13 At present in the GEF, no MIS captures information systematically and makes that information available to
14 GEF partners regularly. General information management at the GEF has been lacking since its inception
15 and makes accurate monitoring of GEF activities at the portfolio level very difficult. To that end,
16 stakeholders at all levels of the GEF partnership commented that the PMIS that is maintained by the GEF
17 Secretariat is inadequate to meet the management and monitoring needs of the GEF. Indeed, many high-
18 level GEF staff felt that the PMIS could not even be considered a management information system in its
19 current form. Moreover, the data contained in the PMIS are also not considered entirely reliable by GEF
20 [Secretariat and M&E] staff, and the OPS3 team was frequently cautioned regarding the limitations of the
21 data. For example, the project database only includes information on the amount of approved project
22 funding and the amount of co-financing agreed upon at project approval. While the amount of co-financing
23 actually received by conclusion of the project has recently been added as a category in the terminal
24 evaluations, this value is not monitored systematically or recorded in a central place to allow for portfolio-
25 wide analysis. Given that one of the GEF’s Operational Principles is to “emphasize its catalytic role and
26 leverage additional financing from other sources,” OPS3 finds it unacceptable that the GEF does not
27 methodically monitor the level of co-financing and leveraged resources it actually catalyzes.

28 This lack of information transparency is network-wide. For instance, despite the recommendation of OPS2,
29 very little information is available to recipient country stakeholders regarding where their projects are in the
30 project cycle. [discuss efforts by GEF Secretariat to allow focal points to see where their projects are in the
31 project cycle] Indeed, the 2004 CCPS commented that the shift from an approval culture to a result- and
32 quality-orientation, recommended by OPS2, would “remain elusive as long as it is so difficult for any
33 stakeholder to gain a full overview of what is going on in the portfolio at any given time. The portfolio
34 information, project data, and documentation management are, in part, incomplete, dated, or restricted, and
35 hamper dynamic portfolio management and effective monitoring.” Moreover, the CCPS found that “the
36 GEF database is not an analytical tool accessible to parties outside the GEF Secretariat, updating is irregular,
37 it has limitations in data on results, and data inconsistencies between GEF and IA databases are frequent.
38 This function is seriously underresourced in the GEF Secretariat.”

39 Like the knowledge management function, the absence of a well-managed and comprehensive MIS in the
40 GEF has critical implications for the GEF network. As OPS2 pointed out, and as many stakeholders since
41 have commented to OPS3, the lack of transparency threatens the GEF’s partnership with recipient countries
42 by not empowering them to stay actively involved by tracking their projects through the project cycle. A lack
43 of system integration at the level of the Trustee creates extra work and ample room for error as requests for
44 disbursement are currently faxed from IAs to the Trustee, rather than communicated electronically between
45 the information software programs of the different entities. The current inability of the GEF to monitor its
46 portfolio at a macro level inhibits strategic vision. Indeed, OPS3 itself has struggled to provide an analysis of

1 results in the focal areas and of the GEF portfolio as a consequence of the inadequate MIS in the GEF. As
2 expressed in the recommendation below, the establishment of a comprehensive, reliable, and harmonized
3 MIS is crucial to enabling OPS4 to confidently report on the results of the GEF and the GEF's progress in
4 meeting its operational principles, such as leveraging resources.

5 **7.1.5 Recommendations**

6 [Note: At some point, either in findings or recommendations, OPS3 should mention the systems that could
7 feed into this MIS architecture. Specifically, UNEP.net, UNDP's extensive but reportedly restricted database,
8 the comprehensive but somewhat cumbersome WB systems and the initiatives being considered by the
9 Trustee. These could all be reviewed by the GEF Secretariat "coordinator," and the preliminary stage by
10 stage process begun to develop the robust systems that will be needed to ensure proper review of results at
11 OPS4 – assuming of course that agreement is reached on what will be measured and how it will be evaluated.]

12 To address the current inadequacy of both the KM and MIS functions in the GEF, and recognizing that both
13 functions are corporate coordination activities, OPS3 recommends that the GEF institutionalize an
14 information management function by establishing a formal function for Information Management in the
15 GEF Secretariat (please see the recommendation in TOR 4A in formalizing the GEF Secretariat's function as
16 a network administrative office). This function would be responsible for KM and MIS with the bottom-line
17 goal of transparency of information at all levels of the GEF partnership network. The GEF should give this
18 function appropriate time and resources, make it pragmatic by building on existing KM and MIS systems in
19 the GEF entities, and in pushing forward KM and lessons learned, make sure that adequate time is given to
20 both the capture and, even more importantly, the dissemination and delivery of that information to its
21 appropriate targets. The test for the effectiveness of this function would be affirmative answers to questions
22 like the following: Does the GEF know where its budget is at all times? Can the GEF Secretariat pull from
23 the MIS reliable and meaningful data on the GEF portfolio? Can project proponents easily find out where
24 their projects are at all times? Do data reflect actual situations in the GEF rather than expected outcomes
25 (e.g., cofinancing at the conclusion of projects in addition to at approval)?

26 OPS3 recognizes, as OPS2 and the 2004 Program Studies have also, that the GEF Secretariat is currently
27 understaffed and underresourced to take on this additional responsibility. That said, however, as OPS3 noted
28 in its discussions of TORs 4D and 4A, as a partnership network, the GEF must recognize and take more
29 seriously the coordination function within the network or the network will produce degraded results. As
30 such, the GEF must be willing to commit resources to support its Network Coordination Office in
31 performing activities essential in a network, such as ensuring the transparency, availability, accuracy, and
32 robustness of information across the network.

SECTION V: MAIN FINDINGS AND RECOMMENDATIONS

8. Main Findings

OPS3 has identified findings in five main areas, which are discussed below: (1) results in each of the focal areas; (2) strategic programming for results at the focal area level; (3) strategic programming for results at the country level; (4) responsiveness to Conventions; (4) information management and knowledge sharing; (5) network responsibilities and coordination; and (6) Small Grants Program.

8.1 Focal Area Results

The GEF has achieved significant results, particularly at the outcome level, in the focal areas of biodiversity, climate change, international waters, and ozone depletion, and is well placed to deliver important results in the newer focal areas of land degradation and POPs.

In biodiversity, OPS3 believes that the GEF Biodiversity Program, as likely the world's largest government-funded mechanism for biodiversity conservation in developing countries, has had a notable impact on slowing or reducing the loss of biodiversity. Unfortunately, global trends in biodiversity loss continue to be downwards. The GEF has produced significant outcomes in the areas of conservation of biodiversity through protected areas (PAs). Indeed, the GEF has been credited by many with helping to achieve the global goal of 10% of the world's land area under protection. By the end of FY04, the GEF had supported PA investments that constitute almost 17% of the total terrestrial land area protected globally.ⁱⁱ The GEF has also contributed to improving the enabling environments in which biodiversity conservation and sustainable use occurs. The GEF has far exceeded the targets set in the Third Replenishment Agreement for the Biodiversity focal area. Outcomes related to access and benefit sharing arising from the use of genetic resources, the third objective of the CBD, however, have been less robust (though less guidance has been issued to the GEF on this issue).

In the climate change focal area, while the GEF's role is relatively minor in slowing worldwide climate change, the GEF portfolio has satisfactorily performed given its limited resources, exceeding its interim GHG emission reduction targets set by the Third Replenishment Agreement in an increasingly cost-effective manner. Additionally, the GEF has played an important catalytic role in developing and transforming the markets for energy and mobility in developing countries, particularly through its energy efficiency portfolio. Market transformation results in the renewable energy cluster have been more varied, although some good results have been identified.

The GEF's International Waters Program has achieved some stress reduction impacts, particularly in the Black-Sea Danube and Lake Victoria. Because only a few IW projects have entered a SAP implementation phase, however, it is too early to report on impacts in terms of environmental improvement. In general, the outcomes of the IW Program have been robust and are expected to result in stress reduction and environmental improvement impacts over time. The IW Program has exceeded its performance target set by the Third Replenishment Agreement. The IW Program has supported the negotiation and implementation of a number of global and regional conventions, been an effective agent for policy, legal, and institutional reforms, and served as an example of the benefits of systematic identification and incorporation of lessons learned through IW:Learn. Better cooperation at the regional level and more coherence in Strategic Partnerships are needed, however, to improve results.

In the ozone depletion focal area, the GEF has essentially achieved its main objective—to eliminate the consumption (i.e., production, exports, and imports) and emissions of ODS in CEITs, with over 99 percent of the phaseout agreed to, having been accomplished.

1 In land degradation and POPs, OPS3 finds that there are signs of health; in particular, these focal area
2 programs seem poised to learn from the experiences of the other more mature focal areas, although it is
3 premature to assess the likelihood of results generation. In the POPs area there has been significant progress
4 in implementing convention guidance through the funding of National Implementation Plans (NIPs) in more
5 than 100 countries and it is likely that the relatively straight forward approach to chemicals management will
6 allow for a clear results chain, particularly if the proper steps are taken up front to identify human health and
7 environmental baselines.

8 **8.2 Strategic Programming for Results – Focal Area Level**

9 OPS2 recommended that the GEF shift from an approvals focus to a results and quality orientation. In
10 general, while OPS3 has observed good steps in this direction, and significant results have been achieved, as
11 described above, much remains to be done in terms of focusing on and managing results. In particular,
12 clarifying and improving the coherence of strategic direction in each of the focal areas is an important step
13 towards more effective programming for results at the focal area level.

14 Strategic guidance in the GEF has been mixed. While guidance has proliferated in some areas, it has been
15 notably absent in other matters. For example, in 2003, additional strategic direction was issued in the form of
16 Strategic Priorities (SPs) for each focal area as part of a general Strategic Business Planning framework. While
17 these SPs have been more helpful for some focal areas, like biodiversity, than others, such as climate change,
18 they constitute additive strategic guidance and an additional review screen during project approval. Indeed,
19 the SPs have resulted in a broadening, rather than a refining, of the overall strategic focus of the focal area
20 programs. In addition to direction issued by the GEF, guidance from some conventions, in particular the
21 CBD, has proliferated without any prioritization. Thus, to some extent, rather than better aligning the goals
22 of the GEF, this proliferation of guidance appears to have defined a vast enough area that GEF entities may
23 find whatever direction they seek in it. In other areas, such as for calculating incremental costs, guidance has
24 not been sufficient, and stakeholders find the issued guidance difficult to understand and implement. As a
25 result, in many cases, only specialized consultants brought in specifically to develop the project design
26 documents are able to perform the arcane calculations.

27 This simultaneous proliferation and lack of guidance has, in part, resulted in focal area programs that lack
28 strategic focus and coherence, particularly in the biodiversity and climate change focal areas. The
29 development of the GEF-3 Strategic Priorities (and those proposed for GEF-4) has brought increased
30 strategic direction to the GEF Biodiversity Program, and the development of impact and coverage indicators
31 and targets, as well as the tools to measure them, should improve management of the portfolio.
32 Nevertheless, OPS3 agrees with the BPS2004 that the Biodiversity Program still needs to refine, clarify, and
33 strengthen the overall strategy and vision of the Program. Furthermore, OPS3 finds that the development of
34 SPs has served as additive guidance and has resulted in a broadening, rather than refining, of the overall
35 strategic focus of the GEF Biodiversity Program. Consequently, not only is the interplay between OPs and
36 SPs not sufficiently clear at the operational level to country-level participants, but projects that address a wide
37 range of biodiversity outcomes can be funded through the GEF.

38 The OPS2 recommendation for the Climate Change Program – that the GEF would benefit from a more
39 focused program in climate change – does not appear to have been fully achieved during GEF-3. The
40 CCPS2004 found that “the linkages between GEF’s overall mission or goals, its strategic priorities, OPs,
41 project clusters, and performance measurement indicators are no longer conceptually clear, nor are they
42 entirely consistent.” OPS3 also found a lack of clarity regarding the linkages between GEF strategic
43 directions reported at several stakeholder levels, including IAs. However, recent progress in response to
44 issues raised in the CCPS2004, on the part of GEFSEC, has shown that dialogue is leading to action.
45 Additionally, the strategic objectives proposed for GEF-4 have been reformulated using the model for market
46 development presented by the CCPS2004, and have been fit into the established Operational Program
47 framework, providing more clarity. OPS3 finds, however, that the Climate Change Program would benefit

1 from a clarification of its role with respect to carbon finance initiatives, and by providing more distinct
2 guidance on the role of adaptation in its portfolio.

3 The GEF IW Program has achieved significant success at the foundational/capacity building level. To date,
4 the IW focal area has primarily been a mechanism for catalyzing action by gathering information, conducting
5 assessments, doing strategic planning, and leveraging funds to assist with the realization of plans. The new
6 challenge of the GEF IW Program, which the IW Strategic Priorities have identified, is to push beyond the
7 shorter-term goals of OPs 8 and 9, to longer-term financial mobilization and realization of demonstration
8 projects necessary under OP10.

9 Finally, an important part of clarifying the strategic direction in the focal areas is developing meaningful and
10 user-friendly indicators for results at the output, outcome, and impact levels that can be aggregated to report
11 on the results of the focal area programs overall. While the recent development of targets and indicators in
12 the focal area strategic objectives for GEF-4, as well as the tools to measure them, will likely improve the
13 management of the focal area portfolios, the existing indicators do not allow for easy aggregation of benefits
14 at the Program level, particularly in biodiversity. This reality presents a serious challenge to the evaluator
15 intent on amassing the results of the GEF. The ozone focal area, a model for results in the GEF system,
16 stands as a success primarily because of the systems for agreeing upon and measuring results established
17 under the Montreal Protocol and recorded by the Ozone Secretariat.

18 **8.3 Strategic Programming for Results – Country Level**

19 In addition to focal area program strategic coherence, which can be thought of as the vertical portfolio
20 strategy, the GEF also needs strategic coherence at the national, or horizontal, level. These two dimensions
21 of strategic direction interact with each other and form a natural feed back loop, such that national priorities
22 are developed with an eye to GEF strategy in each focal area, and that GEF strategies are developed taking
23 into consideration the activities recipient countries really need and want, or at least ideally this is the case.

24 In fact, GEF projects currently are often developed in a more ad hoc and sometimes opportunistic manner,
25 rather than systematically developed to contribute to an overall country strategy. As a result, because
26 coherent portfolios are not always developed for countries, results may not always be maximized or achieved
27 in the most cost-effective manner. For example, as the 2004 CCPS pointed out, although projects can be in
28 line with national priorities, the current system for project development and approval has led to inconsistent
29 focus within some countries, such as India and Mexico, where the GEF is not addressing the major climate
30 change needs of the country. OPS3 also heard reports from GEFSEC and OME representatives, country
31 focal points, and NGOs of somewhat duplicative projects in some countries—an issue that could be resolved
32 through managed country portfolios. By contrast, success has generally been achieved in China, where the
33 World Bank and UNDP collaborated early to develop the overall climate change portfolio. The 2004 CCPS
34 set forth, and OPS3 agrees, that countries with significant GEF portfolios would benefit from a simple but
35 integrated country program, and that countries with smaller portfolios may not need a full-blown program,
36 but would benefit from explicitly articulated priorities.

37 Not only would such a programmatic approach promote country ownership/drivenness, but it could also
38 optimize the use of GEF resources by enabling better synergies and multiple benefits through programming
39 of a strategic portfolio for each country, rather than approving projects in a more piecemeal manner. The
40 GEF-4 Programming Document proposed that “the GEF move towards more integrated approaches to the
41 national resource management challenges that span the global environmental agreements. Pursuing
42 integration across focal areas, at the various levels, basin – landscape – ecosystem – country – region, will
43 allow GEF to fulfill its role as catalyst and facilitator of global environmental sustainability.” Indeed, looking
44 for synergies like benefits and capacity sharing across focal areas is essential for maximizing results and leads
45 to increased cost effectiveness—and can be facilitated through a country program approach.

1 Activities such as the National Capacity Self-Assessment (NCSA) and the National Consultative Dialogue
2 Initiative (NDI) help countries identify and develop national priorities in the area of the environment. The
3 alignment between these priorities, GEF priorities, and the projects actually developed for countries is
4 sometimes problematic, however. How national priorities are linked to the projects submitted by many
5 countries is sometimes unclear and may be partially based on opportunistic access to available funds (instead
6 of national priorities). Many participants in OPS3 suggested that a more country-oriented programmatic
7 approach to funds disbursement would improve strategic alignment.

8 Indeed, in the event that a Resource Allocation Framework (RAF) is approved, the GEF will likely have to
9 allocate resources among countries in a systematic manner. In this context, developing and managing
10 national strategic portfolios for results would maximize results with the resources allocated to each country.
11 Under an RAF approach, however, it will not only be necessary to program at the country level, but it will be
12 necessary to prioritize projects for the country at the portfolio level. A process for choosing among projects
13 based on certain characteristics (e.g., innovativeness, replicability, cost-effectiveness), which may vary
14 significantly depending on the country, focal area, or by project size, has, to date, not been explicitly included
15 in the RAF. In particular, while the proposed RAF GBI and GPI indicators look at governance and
16 environmental performance at the country level, there is no discrimination between projects, but clearly, there
17 are factors that affect performance and attractiveness at the project level. For example, PA projects in the
18 biodiversity focal area are common and can be developed based on a history of approvals for similar projects.
19 In fact, it may be easier to move such a project through the pipeline, than to create a more innovative, but
20 potentially more risky project that may in the long run, however, generate greater benefits. These tradeoffs
21 should be considered and reflected in criteria for choosing among projects.

22 Although the IAs have their own systems for programming activities in countries (e.g., the World Bank has its
23 Country Assistance Program and UNDP has its Country Programme Action Plan and also identifies regional
24 priorities in business plans), these programs do not necessarily explicitly consider global benefits in the
25 manner that the GEF does. OPS3 finds that recipient countries would benefit from joint, coordinated GEF
26 country programs that bring many actors to the table in a collaborative, egalitarian exercise.

27 Recipient countries would also benefit from a sharper focus on sustainability and catalytic effects among
28 GEF entities. Currently, the multidimensional and dynamic nature of sustainability is not systematically
29 addressed in GEF projects, as apparent in project documentation prepared during the design,
30 implementation, and evaluation phases. Likewise, mechanism for sharing information and systematically
31 promoting the replication of successful innovations, demonstrations, and approaches is conducted on a
32 relatively ad-hoc basis within the GEF Network. Moreover, no systematic reporting on indicators for
33 catalytic effects is in place across all GEF focal areas, although a tracking tool for measuring mainstreaming in
34 the biodiversity focal area has recently been established. A tighter framework for conceptualizing, measuring,
35 and tracking the sustainability and catalytic effects of GEF projects would allow the GEF to better
36 understand the extent of its success and areas of weakness at a portfolio and country level—which could help
37 prioritize resource allocations within the RAF (if approved), as well as within countries themselves.

38 **8.4 Responsiveness to Conventions**

39 In general, OPS3 finds that the GEF has been responsive to guidance from the CBD, the UNFCCC, the
40 Montreal Protocol, the UNCCD, and the Stockholm Convention.

41 In the biodiversity focal area, OPS3 finds, as did OPS2, the Second CBD Review of the GEF, and the
42 BPS2004, that the GEF has been generally responsive to COP guidance. The GEF has funded activities in
43 almost all of the areas of guidance provided by the COP. In particular, as the BPS2004 points out, the GEF
44 has been particularly responsive to guidance on forest ecosystems and capacity building in biosafety. The
45 GEF faces some challenges, however, in addressing COP guidance. In particular, OPS3 finds that the GEF
46 has not adequately addressed the Convention priority on access and benefit sharing (ABS), although this is

1 partly due to the current lack of clarity on ABS in the context of the CBD. The BPS2004 concluded that
2 once the COP negotiates and puts in place an ABS regime, the GEF Biodiversity Program will be better
3 situated to appropriately direct its resources. The general lack of prioritization of guidance from the COP
4 also remains a challenge, according to BPS2004.

5 OPS3 also finds, as did OPS2, the 2002 COP-8 review of the GEF, and the 2004CCPS, that the GEF has
6 effectively performed its role as financial mechanism of the UNFCCC and has been responsive to its mandate
7 as defined by the Convention and guidance and priorities as given by the COP. GEF funding of projects has
8 been in direct response to the priorities outlined by the COP. Moreover, communication and coordination
9 between the UNFCCC and the GEFSEC has improved over the past few years, aided by joint activities such
10 as retreats. The GEF has been particularly responsive in quickly mobilizing and implementing special trust
11 funds, as requested by the COP. With regard to national communications (NCs), the GEF has been
12 responsive by supporting three of 40 NCs for Annex I countries, and 105 of 115 NCs from NAI countries,
13 though some weaknesses have been identified for the first round that should be remedied in the second
14 round. With respect to the adaptation priority of the Convention, the GEF has begun to respond by
15 approving an adaptation strategic priority for GEF-3 and proposing one for GEF-4, although the GEF still
16 has much to sort out in terms of its funding of adaptation activities.

17 In the ozone depletion focal area, the GEF has essentially achieved the main objective of the Montreal
18 Protocol—to eliminate the consumption and emissions of ODS—and has been responsive to strategic
19 guidance from the MOP.

20 The GEF has generally addressed the UNCCD global priorities with two exceptions: (1) UNCCD has a
21 priority for combating desertification in Africa, whereas the GEF land degradation focal area strives for
22 geographic balance; and (2) UNCCD focuses on combating desertification, but GEF projects tackle all causes
23 of land degradation, including those which occur in humid areas. In POPs, all global priorities mentioned in
24 the Stockholm Convention are addressed in the GEF strategy, with the exception of the potential need to
25 identify and regulate the production of new chemicals with POPs characteristics. There are also differences
26 in the emphases placed on priorities in the Convention versus those articulated in OP14 and the POPs
27 Business Plan: the GEF places greater emphasis on capacity building and institutional strengthening, the need
28 for innovative and cost-effective technologies for the disposal of POPs, and the aim of promoting synergies
29 by integrating POPs management practices with other focal areas.

30 While mechanisms for communication between the GEF Secretariat and the Convention Secretariats exist,
31 and dialogue takes place on a regular basis, it is not always easy to engage on certain issues. For instance,
32 while guidance from the COPs is not always sufficiently prioritized, the Convention Secretariats are hesitant
33 to interpret guidance issued from the Convention COPs. Through consultations with GEFSEC
34 representatives, OPS3 has also learned that there is some awkwardness regarding what has been construed as
35 “guidance back to the Conventions.” There are often circumstances, however, wherein the GEF entities,
36 through implementation experience, have relevant perspectives on what is working, what could be improved
37 or clarified, and what might benefit from a fresh approach. Indeed, more frank and timely exchange of ideas
38 between the GEFSEC and Conventions could be helpful in furthering the agenda and success of the
39 Conventions within the context of the GEF.

40 **8.5 Information Management within the GEF Network**

41 At present, the GEF systems for information management, which encompass knowledge management (KM),
42 management information systems (MIS), and infrastructure, are inadequate. Although OPS3 identified some
43 components of a system for learning lessons, such as IW:Learn and UNDP knowledge management services,
44 OPS3 was not able to identify any systematic, comprehensive, GEF-wide approach to ensuring that lessons
45 learned are captured and disseminated properly throughout the network. This conclusion was supported by a
46 broad consensus at every level of the GEF partnership. Recent focal area program studies also highlighted

1 the inadequacy of current processes for capturing lessons learned. Given that there has not been an adequate
2 systematic process for capturing lessons learned over time, there is a real risk that substantial lessons learned,
3 capacity, and institutional knowledge among individuals will be lost if it is not captured/recorded. While
4 positive discussion on how to enhance KM in the GEF is underway, more remains to be done.

5 Management information systems in the GEF have also been lacking since its inception. While each of the
6 GEF entities maintain their own databases, currently no comprehensive and integrated management
7 information system (MIS) captures information systematically and makes that information available to GEF
8 partners regularly, which makes accurate monitoring of GEF activities at the portfolio level very difficult.
9 The PMIS that is maintained by the GEFSEC is inadequate to meet the management and monitoring needs
10 of the GEF, an absence that has critical implications for the GEF network. The lack of transparency
11 threatens the GEF's partnership with recipient countries by not empowering them to stay actively involved
12 by tracking their projects through the project cycle. The current inability of the GEF to monitor its portfolio
13 at a macro level inhibits strategic vision, though the GEFSEC is slated to undertake monitoring at the
14 portfolio level. The lack of MIS also greatly inhibits the ability of the evaluator to report on results in the
15 focal area programs and in other areas, such as actual co-financing. The GEF's experience in the ozone focal
16 area, where the GEF must rely on others' systems (i.e., the Ozone Secretariat) for tallying results, underscores
17 the need for more robust data systems. A comprehensive, reliable, and harmonized MIS could allow OPS4 to
18 confidently report on the results of the GEF and the GEF's progress in meeting its operational principles,
19 such as leveraging resources.

20 **8.6 Network Responsibilities and Administration**

21 OPS3 finds that the GEF, based on its composition, structure, and division of roles and responsibilities, is a
22 network organization, which is different than a stand-alone hierarchical organization.^{iii,iv} A network is an
23 emerging form of organization in which independent or at least semi-autonomous entities work together to
24 achieve a common result. OPS3 finds that this network structure is the appropriate institutional form to
25 enable the GEF to meet its mandate and operations. Indeed, the literature strongly supports the assertion
26 that organizations that undertake complex and geographically dispersed challenges, are composed of multiple
27 independent entities who have some claim on the mission, and require flexibility and responsiveness, such as
28 the GEF, most effectively operate as a network.

29 **Network Administrative Office (NAO)**

30 The literature supports OPS3's contention that complex networks such as the GEF require a network
31 administrative office (NAO) to administer, guide, and coordinate network activities. The GEFSEC has
32 worked consistently to manage the increasingly complex GEF network and to serve the NAO function for
33 the GEF, which includes ensuring and implementing Council and Assembly decisions; preparing criteria,
34 standards, priorities, and business plans; and coordinating various activities and partners, including Inter-
35 Agency Task Forces, Executive Coordinator meetings, maintaining the PMIS, coordinating the Council
36 member and focal point support programs and National Dialogue Initiative, undertaking dialogue with the
37 Conventions secretariats, and performing general communication and outreach activities, in addition to the
38 day-to-day activities of managing the project pipeline, approval, and oversight responsibilities. The GEFSEC
39 also has undertaken organizational changes during GEF-3 to facilitate this administration, including
40 establishing a group to manage corporate and operational issues of the GEF.

41 However, without adequate resources, the GEFSEC will not be able to continue functioning effectively as the
42 NAO of the GEF. Given that the Secretariat's corporate budget has decreased as an overall percentage of
43 the programming budget since GEF-1, the apparent ability of the GEF coordination mechanism to absorb an
44 increase in coordination and communications channels resulting from the addition of two focal areas and
45 seven executing agencies with expanded opportunities, could suggest either a maturing economy of scale, or a
46 positive efficiency outcome. Although the GEFSEC has absorbed these expansions to some degree, its

1 effectiveness and ability to implement a comprehensive, GEF-wide coordination strategy, rather than
2 individual coordination efforts, will be compromised as the GEF continues to expand without additional
3 support in the form of staff and resources. Additionally, with additional resources, and as the NAO function
4 matures, the GEFSEC may be able to provide key central coordination services that will help minimize the
5 marginalization of certain GEF partners, such as NGOs, STAP, and the private sector.

6 **Competition vs. Collaboration**

7 OPS3 found that roles and responsibilities were not always clear for IAs and EAs, especially with regards to
8 collaboration and competition. On the one hand, IAs are aware of their stated comparative advantage and
9 OPS3's review of the project portfolio across all focal areas found that the majority of projects in the pipeline
10 are well aligned with these comparative advantages. However, the OPS3 review also found there was a
11 number of projects for which it was not possible to discern from looking at the characteristics of the project
12 why a particular IA was the implementer of record. OPS3 also heard testimony from the IAs themselves and
13 other stakeholders, that competition for projects and resources was forcing IAs to look ever wider for
14 projects and investigate new lines of business to support their sustained growth, even when those projects
15 crossed over into the comparative advantage of one of the other IAs. This tendency to blur the boundaries of
16 the IAs' roles is further exacerbated by the addition of the EAs that must find their way within the GEF
17 project context. EAs have an uncertain mandate and a large learning curve to climb in order to function
18 competitively in the GEF "market." In fact only four of the seven EAs with expanded opportunities have
19 signed an MOU with the GEF that officially sanctions their ability to implement projects solely. The fact that
20 EAs are the lead on only 38 of the more than 1,500 projects implemented by the GEF further underscores
21 the nascent aspect of their involvement and speaks to the competitive playing field and dwindling funds
22 under GEF-3.

23 At the same time that competition is, in some cases, straining the trust among corporate entities,
24 collaboration among project proponents, including IAs and EAs, is being fostered by the GEF as a means to
25 improved functioning (and cost-effectiveness) and is specified in the *Instrument for the Establishment of the*
26 *Restructured Global Environment Facility*. In discussions with the GEFSEC and the IAs, it was clearly stated to
27 OPS3 that unlimited competition will be at odds with collaboration. For example, implementing projects
28 jointly and the associated fee sharing implies collaboration, while competition implies developing and
29 implementing projects in a wholly-owned manner with a single manager claiming the entire fee. Left to their
30 own devices, the IAs will not likely be able to solve the equation between competition and collaboration on
31 projects effectively. [Other aspects of the competition/collaboration challenge will be discussed in the final
32 report.]

33 **Scientific and Technical Advisory Panel (STAP)**

34 Despite the recent efforts of the STAP to refine and focus its work, and coordinate more closely with GEF
35 entities, stakeholders generally believe that the STAP is still not nearly as responsive as it needs to be and is
36 not able to provide consistent value to the GEF. For instance, stakeholders at the GEFSEC, the IAs, and
37 within the STAP itself asserted that STAP reports are not always relevant to the GEF, and are not always
38 provided to GEF entities in a timely enough way, to be useful. Specifically, the current process for GEF
39 entities requesting STAP reports is not sufficiently expedited and further impedes the timeliness of STAP
40 report preparation. Additionally, while the STAP roster is seen as a success in building scientific capacity
41 within the GEF system, the selective use of the STAP roster is still not perceived as objective by project
42 proponents, GEFSEC staff, and STAP members. In particular, because project managers at the IAs are able
43 to choose the roster expert that reviews their project, there is the appearance of a potential conflict.

44 Moreover, the STAP has not sufficiently reached out to the scientific and research community for selected
45 technical input as its mandate clearly prescribes, nor has it used the linkages with other scientists, a hallmark
46 of the academic community, to leverage its own resources. This leads to a conundrum because, while it has

1 been stated that STAP members frequently do not have sufficient time to dedicate to their STAP work, more
2 “networking” with the larger academic community could potentially alleviate this problem by leveraging
3 additional experts. Finally, OPS3 finds that positive progress is being made as a STAP retreat in Quito,
4 Ecuador is planned to discuss these issues with GEF partners including the IAs, OME, and the GEFSEC.

5 **Monitoring & Evaluation**

6 Because some partners within the GEF system are in fact parts of partners, there are often evaluations
7 performed as part of the requirements within each institution’s own evaluation procedures that may overlap
8 with (but do not fully supplant) GEF requirements for evaluation. Additionally, because IA evaluation
9 systems historically have not been validated by the GEF Office of M&E, there was some inefficiency related
10 to evaluating evaluations. OPS3 finds that one of the most notable signs of recent success has been the new
11 leadership of, and strategic actions undertaken by, the independent Office of M&E. The consultative process
12 sponsored by OME is evidence of growing harmonization of goals and processes across the GEF, but there
13 are remaining tensions and obstacles to overcome. OPS3 encourages the continuation of this process,
14 especially given the broad stakeholder involvement approach that OME has chosen. In particular, OPS3
15 supports the idea of engineering quality into the M&E system through the validation of IA M&E systems.
16 Indeed, the consultative process can be seen as a positive step towards developing a network-wide M&E
17 “community of practice.”

18 Through the consultative process, OME, the GEFSEC, and IAs and EAs are also coming to agreements
19 about how to cover monitoring and evaluation at many levels; to date, however, monitoring at the level of the
20 network has not been addressed. As a partnership network, the GEF reacts in complex, inter-reliant ways to
21 changes in its own rules, such as the adoption of an RAF, changes in the IA fee system, or separating M&E
22 functions. These system-wide impacts should be monitored by OME to ensure that such modifications of
23 rules or procedures are not having unexpected negative effects on the functioning of the network.

24 **Private Sector**

25 In recent years, GEF entities have explored the development of a more targeted approach to engage the
26 private sector, including through the preparation of a May 2004 Office of M&E report “Review of GEF’s
27 Engagement with the Private Sector.” In response to this report, GEF management requested the GEFSEC
28 to better articulate a private sector strategy, in collaboration with the IAs and EAs, and in consultation with
29 private sector stakeholders. Discussion is ongoing on this issue, but a clear, focused GEF strategy for
30 engaging the private sector is still lacking. The development of such a GEF strategy ultimately may require
31 difficult decisions about the extent to which the GEF is prepared to reach out to industry and reconcile the
32 differences in doing business—which include disparate drivers (profit vs. environment) and different,
33 sometimes incompatible, modes of operation. In part as a result of this absence of coherent strategy, the
34 GEF has missed opportunities for potentially increasing catalytic effects through GEF projects involving the
35 private sector. OPS3 supports the GEF-4 Programming Document in its assessment that strengthened
36 engagement with the private sector should be a major element of the GEF-4 management agenda.

37 **8.7 Small Grants Program (SGP)**

38 The Third Independent Evaluation of the SGP (2003) noted that “in many countries SGP has become the
39 permanent public face or even de facto ambassador of the GEF.” OPS3 also found that the SGP is well-
40 received by recipient countries and increases the visibility of the GEF. Indeed, SGP remains one of the most
41 appreciated programs of the GEF, and many representatives of countries, especially NGOs, that are not
42 currently recipients of the SGP expressed to OPS3 that they wanted to be.

43
44 Many recipient country stakeholders, including government representatives, NGOs, and project proponents,
45 as well as in-country IA representatives noted how effectively the SGP was responding to country priorities at

1 the local level. The Third Evaluation of the SGP noted that “one of the most striking findings of the
2 evaluation is the high degree of fit between the services and benefits provided by the SGP and the current
3 priorities and needs in an extraordinary variety of country contexts in which the program operates.” Indeed,
4 OPS3 found that the flexibility of the SGP has allowed for innovative thinking and design of activities to
5 meet country needs and capacities in SIDS and LDCs. Although many SIDS are only now gaining access to
6 the SGP, they are optimistic about the impacts the SGP will bring and feel strongly that wider access will lead
7 to cost-effective strategies for addressing focal area needs.

8 The 2003 SGP Evaluation also found that “the overall long-term global benefits from SGP activities will be
9 considerable, and are likely to exceed the global benefits generated by most larger projects with financial
10 resources comparable to or even exceeding the entire SGP budget.” Although the OPS3 Team has not itself
11 aggregated the benefits associated with SGP activities, it finds this conclusion meritorious.

12 Additionally, OPS3 concurs with the BPS2004 which found evidence that suggests that smaller-sized projects
13 may hold more promise in achieving sustainability,^v perhaps because of their more targeted focus and limited
14 objectives, or because of the more transparent, participatory, and country-driven approach to planning that
15 characterizes SGP projects. Stakeholders at all levels and across multiple countries interviewed as part of the
16 OPS3 field study voiced very strong support for the SGP, citing very high likelihood of sustainability due to
17 the fact that they are more manageable and accessible—especially for LDCs and SIDS with very limited
18 capacities—and more inline with their capacity to absorb funds. The 2003 SGP Evaluation also concluded
19 that the SGP’s participatory approach to project development and implementation is very favorable to project
20 sustainability.

21 OPS3 also heard anecdotal evidence from several groups of stakeholders, including IA country office
22 representatives and other project proponents, that SGP projects are more replicable than larger projects, since
23 their lower cost makes them easier to adopt in other places. To this end, the 2003 SGP Evaluation found
24 that many SGP projects leveraged their impact through scaling up, replication, and influencing government
25 policies during GEF-2. Without a robust set of data on replication, however, no conclusions can be drawn
26 on this issue by OPS3.

27 **9. Major Recommendations**

28 The major recommendations suggested by OPS3 are based on the main findings discussed in the previous
29 chapter. It is important to note that the recommendations provided here are those that the OPS3 Team
30 viewed as significant. Within the main report there are other recommendations that have been identified and
31 elaborated upon, but which are not considered significant in their own right. Some of these have been
32 aggregated into major recommendations, if, for example, they cut across focal areas, or across TOR areas.
33 Others are minor or procedural in nature, and hence, do not elevate to the standing of “major”
34 recommendations. Please refer to the main report for a discussion of all recommendations, organized by
35 TOR.

36 **9.1 Programming for Results – Focal Area**

- 37 • The strategic direction and coherence of each focal area program should be clarified and improved. In
38 particular, some reformulation of the GEF’s programming framework and priorities should be
39 undertaken to increase transparency and effectiveness of the programs. In biodiversity, climate change,
40 and international waters, the definitions of the OPs and the manner in which they contribute to achieving
41 impacts should be clarified, and the relationship between OPs and Strategic Priorities should be clarified.
42 In the biodiversity program, the “Christmas tree effect” can be counteracted by better describing the
43 strategic vision and direction for the Program. In climate change, clarification of the way in which the
44 long-term goal of market transformation outcomes contributes to GHG emissions reduction or

1 avoidance would increase transparency of the Program. Also, while the strategic direction of the climate
2 change portfolio has shifted over time (e.g., moving away from solar PV projects), this direction should
3 be better articulated to provide more program cohesiveness. In addition to clarifying the OPs, the
4 international waters program should move from enabling activities to scaling-up of full operations to
5 address agreed priorities for global critical transboundary water systems. In the relatively new focal areas
6 of Land Degradation and POPs, moving beyond enabling activities to implementation should be
7 undertaken. The Inter-Agency Task Forces should take up the matter of improving strategic direction
8 and coherence at the program level. (TOR 1A, 1C)

- 9 • In order to measure the results of the GEF, and to evaluate whether the GEF is optimally programming
10 to achieve results, indicators should continue to be developed and refined in all focal areas to allow
11 aggregation of results at the country and program level—e.g., across the strategic priorities. In order to
12 cost-effectively deal with this daunting issue, the GEF must rely on the efforts of others in the area of
13 indicator development, when possible. Collaborative efforts and coordination of activities are the
14 strengths that the GEF can leverage to ensure progress in this area. Finally, to facilitate the roll-up of
15 results, GEF partners should be more proactive about ensuring that project proponents understand how
16 to report on results and should be stricter about the quality of project-level M&E. (TOR 1A, 1B, 1C)

17 9.2 Programming for Results – Country Level

- 18 • The GEF should move toward a stronger country program focus that recognizes the need for and
19 emphasizes local capacity, partnership in the GEF process, as well as planning and development of clear
20 country strategies and priorities for GEF funding that is linked through dialogue with country priorities.
21 Country programs should be developed as an outgrowth of activities such as the NCSA and the NDI,
22 and should be planned by a multi-stakeholder team coordinated by the GEFSEC and including IAs and
23 EAs, national focal points, and other local stakeholders. Country portfolio planning teams should pay
24 attention to include local decision-makers at the right levels in order to give the programs adequate
25 weight and credibility in-country. Special consideration must be paid to indigenous populations in terms
26 of allowing them to play a lead role in programs design and implementation. Also, adequate attention
27 should also be paid to focal area interlinkages (e.g., looking for synergies between biodiversity and land
28 degradation) to optimize benefits both at the country and regional levels. (TOR 1D, 2A, 2B, 2C, 4E)
- 29 • With regards to the proposed RAF, the GEF should continue to develop hierarchies of priorities and
30 incorporate important concepts into the RAF scoring system. For example, geographic balance and the
31 relationship between global and local benefits (e.g., poverty alleviation) are important factors that can lead
32 to success, which of course underpins the RAF in the first place. Project success factors and a weighting
33 for innovativeness, as examples, should be included in a scheme to rank projects within a country
34 program (or for picking among projects for countries with similar RAF GPI and GBI ratings). This
35 notion, which is not currently incorporated into the RAF, emphasizes the need for measuring benefits at
36 the country portfolio level. (TOR 1E, 4E, 5A **may need to be revised**)
- 37 • Operational definitions and indicators are needed for sustainability and the mechanisms of catalytic
38 effects (e.g., cofinancing, leveraged resources, replication, mainstreaming), in order to sharpen the focus
39 on these goals. In particular, project design, implementation, and evaluation should explicitly consider
40 sustainability and catalytic effects, and more systematically report on these issues in project documents to
41 allow for the tracking of GEF's success in these areas. For example, to assess sustainability in PIRs,
42 assessments of all relevant factors of sustainability should be explicitly included (i.e., political/local will,
43 finances, design, and management) within the context of sustainability. Thus, while PIRs currently report
44 on the level of financing received to date, they do not report on the levels of financing secured for future,
45 or on efforts undertaken to secure next-phase financing, which is important from a sustainability
46 standpoint. A focus on sustainability would require that stakeholder participation be reported on in terms
47 of how attitudes and behaviors have changed, and not simply on the number of workshops or meetings
48 held. The OPS3 Team recommends that the GEF establish a dedicated team to explore indicators for

1 sustainability and catalysis for use in project documents; conduct systematic ex-post monitoring of
2 random samples of GEF projects; and track and compile information on likely/actual sustainability and
3 catalytic effects that can be aggregated at the portfolio level. Additionally, information generated from
4 these processes must be shared within the GEF network to catalyze additional global environmental
5 benefits. (See also recommendation on knowledge-sharing). (TOR 2A, 2B)

6 **9.3 Responsiveness to Conventions**

- 7 • Robust, collaborative, and regular two-way communications between the GEFSEC and the Convention
8 Secretariats should be further fostered to enable dialogue on priority setting, streamlining of strategies,
9 and institutional capacity sharing. Dialogue should also be pursued particularly between the GEFSEC
10 and Secretariats of the UNCCD and Stockholm Convention to monitor the observed differences
11 between the Convention and the way that GEF programs intend to implement the focal areas. This
12 dialogue should also serve to clarify outstanding issues such as guidance on how to calculate incremental
13 costs associated with POPs activities. (TOR 4C)

14 **9.4 Information Management within the GEF Network**

- 15 • Information management processes, including KM and MIS, should be developed and/or strengthened
16 at all levels. The first step should be to develop an information management strategy that addresses the
17 following five points, *inter alia*: (1) trends and challenges for the GEF in information management; (2) an
18 assessment of the strengths and weaknesses of the current information system; (3) plans for
19 strengthening the GEF MIS and knowledge sharing systems; (4) any organizational processes, staff
20 structure, and GEF culture changes needed to effectively implement MIS and KM; and (5) performance
21 measures and milestones to assess the progress of the information management function. This
22 information management function should be institutionalized in the GEFSEC, and would be responsible
23 for KM and MIS with the bottom-line goal of transparency of information at all levels of the GEF
24 partnership network. The GEFSEC coordinating role would also be responsible for developing a
25 knowledge sharing infrastructure to support the capture and dissemination of lessons learned. In terms
26 of the information systems, an MIS should be developed that makes information available on the status
27 of projects at every stage from pipeline entry to completion. This MIS should build upon and meld the
28 existing, but currently incompatible, information systems of the GEF entities into a useful GEF-wide
29 resource. The MIS should be accessible to all project proponents, including operational focal points, so
30 that they are able to track their (and other) projects through the various stages of the project cycle,
31 thereby improving country ownership. This project-level information would also be aggregated and
32 analyzed to aid the process of collecting and measuring results, determining cost-effectiveness, and
33 comparing/evaluating project results. (TOR 5B)

34 **9.5 Network Responsibilities and Administration**

- 35 • The GEFSEC, as the network administrative office should administer and coordinate network activities
36 in a more comprehensive and strategic way. The GEF Council should adjust resources allotted to the
37 Secretariat, as necessary, recognizing that this function is critical to effectiveness and bears a cost. To that
38 end, the GEF SEC, as NAO, should consider formalizing the following organizational functions:
 - 39 ➤ *Communication, Coordination, and Outreach (CCO)* – covering communication with all the GEF partners
40 in relation to capacity and coordination, including country partner capacity, communication and
41 outreach, coordination and outreach with other partners, including NGOs and the private sector, and
42 external entity outreach.
 - 43 ➤ *Management, Information, and Policy (MIP)* – encompassing the following functions: implementation of
44 Council and Assembly decisions, policy and planning, work plan programming, information

- 1 management strategies and systems, knowledge management and communities of practice
2 coordination, and project cycle management (TOR 4A, 4D)
- 3 • Roles and responsibilities for all partners must be clear, and outreach/collaboration must be encouraged.
4 In particular, the GEFSEC needs to work with the IAs/EAs to clarify roles and responsibilities and work
5 through the competition/collaboration challenge—an issue that has the potential to seriously affect the
6 quality of GEF results during GEF-4 if it is not managed effectively and proactively. Because there are
7 already disincentives to collaborate, including competition for resources and projects and there is still
8 poor transparency and less than perfect trust in the system, it is essential that the GEFSEC take more of
9 a leadership role in enunciating the positioning of collaboration and competition in the system. OPS3
10 recommends that an on-going dialogue between the GEFSEC, IAs, and EAs be undertaken to voice
11 issues on the advantages and disadvantages of, and ways to optimize, the competition vs. collaboration
12 nexus. This dialogue could, for example, be in the form of a regularly scheduled workshop or contact
13 group that convenes prior to Council meetings (TOR 4A, 4D). [Other aspects of the
14 competition/collaboration challenge will be discussed in the final report.]
- 15 • The role of the STAP must be better articulated and the relationship with the outside scientific
16 community strengthened/realigned. Positioning and accessibility must be conducive to early and
17 effective involvement. STAP should also coordinate more closely with the scientific bodies of the
18 Conventions (e.g., IPCC and the POPs Review Committee). To implement these recommendations and
19 enable the STAP to provide relevant reviews in a timely manner, structural/organizational changes may
20 be in order. One possibility is that STAP could be streamlined to include only one member per focal
21 area, plus a chair, and that all members could give a higher percentage of their time (e.g., 50 percent) to
22 increase commitment and availability. STAP activities could be coordinated through these seven panel
23 members, who would draw on their networks with the greater scientific community, as well as on more
24 junior scientists and consultants who have the time to undertake such activities. (TOR 4A)
- 25 • The Office of M&E should further foster collaboration by institutionalizing the consultative process to
26 create a community of practice of M&E in the GEF, coordinating with IAs and EAs on the science of
27 evaluation, building trust to foster harmonization and streamlining, and allocating responsibility at the
28 appropriate level. OME should also begin to monitor the health and the effectiveness of the GEF
29 partnership network itself, paying particular attention to the ripple effects of changes in GEF procedures
30 and rules, like the employment of an RAF. (TOR 4G)
- 31 • The GEF should launch a private sector special initiative to look for good models of cooperation with
32 the private sector and to pilot projects. As part of this special initiative, the GEF should continue
33 working to develop an appropriate strategy and mechanism for private sector engagement. Specifically,
34 OPS3 recommends that the GEF Secretariat, in coordination with the IAs and EAs, work directly with
35 members of the private sector to identify appropriate means and modalities to more effectively involve
36 the private sector. Private sector representatives should be identified and selected based on their
37 previous involvement with the GEF, so that a blueprint that is sensitive to the needs and realities of
38 industry can be formulated during a series of work sessions scheduled throughout the year. The GEF
39 should aim to design a proposal for private sector engagement that includes a strategy for private sector
40 outreach and communication, as well as risk-sharing arrangements. In addition, the work sessions should
41 address any type of additional staff expertise and/or resources that may be required within the GEF
42 Secretariat to actively engage the private sector moving forward, such as the potential development of a
43 new staff position to identify, market, and facilitate new opportunities for private sector leveraging and
44 partnerships. (TOR 3A)

1 **9.6 Small Grants Program**

- 2 • Building on the findings of the Third Independent Evaluation of the SGP, OPS3 recommends that
3 additional resources be allocated to the SGP and that the land degradation and POPs focal areas, as well
4 as the adaptation strategic priority, be integrated into the program. Because the need for the SGP has
5 been particularly noted in LDCs and SIDs, where the need for adaptation funding is also particularly
6 strong, the inclusion of the adaptation strategic priority is especially appropriate. (TOR 1A, 1C, 4F, 5A)

1 **Annex A: Clarification of OPS3 Terms of Reference**

2 OPS3 has interpreted many of the TOR questions for clarification purposes. These interpreted TOR
3 questions will serve as OPS3's working definition of the TOR. The original TORs and the interpreted
4 language are provided as follows:

5 **TOR Question 1: Operational and Program Results**

6 TOR Question 1A. What have been the quantitative and qualitative impacts and results of GEF activities at
7 the local, regional and global level in the areas of biodiversity, climate change, international waters and ozone
8 depletion?

- 9 • OPS3 interprets the words "impacts and results" to "results" in order for results to be consistent with the
10 definition of results provide in the original TOR.²¹⁵ This change has been made because results are
11 defined as outputs, outcomes, and impacts in the original TOR.

12 TOR Question 1B. If impacts and other results are not quantifiable, what are the reasons?

- 13 • OPS3 interprets the words "impacts and results" to "results" in order for results to be consistent with the
14 definition of results in the original TOR (see discussion for TOR Question 1A above).

15 TOR Question 1C. Do projects developed under the new focal areas of land degradation and persistent
16 organic pollutants reflect global priorities?

- 17 • No interpretation required.

18 TOR Question 1D. What are the key factors that have contributed to the achievement of global
19 environmental benefits?

- 20 • No interpretation required.

21 TOR Question 1E. Historically, how have GEF resources been allocated geographically and is this allocation
22 consistent with strategic priorities?

- 23 • No interpretation required.

24 **TOR Question 2: Sustainability of Results**

25 TOR Question 2A. To what extent have desired global environmental benefits continued following
26 completion of GEF projects?

- 27 • No interpretation required.

28 TOR Question 2B. What are the key factors that determine the sustainability of GEF projects?

- 29 • OPS3 interprets this question to be asking about the sustainability of global environmental benefits,
30 rather than sustainability of GEF projects.

²¹⁵ Results are defined as the outputs, outcomes and impacts achieved by the implementation of projects and programs. These should include the assessment of both positive and negative outputs, outcomes and impacts that are both intended and unintended. (Transcribed from Footnote 2 of OPS3 TOR.)

1 TOR Question 2C. To what extent do country ownership, stakeholder involvement in project development
2 and execution and the generation of local benefits improve the sustainability of activities supported through
3 the GEF?

- 4 • OPS3 interprets this question to be focused on sustainability of results, rather than on sustainability of
5 activities.

6 **TOR Question 3: Effects of GEF Operations on other institutions and related** 7 **issues**

8 TOR Question 3A. How successful has the GEF been in fulfilling its catalytic role by leveraging additional
9 resources, catalyzing results by innovation, demonstration and replication, fostering international co-
10 operation on environmental issues, mainstreaming environmental issues into partner institutions, and
11 involving the private sector in both projects and co-financing?

- 12 • OPS3 interprets this question to be focused on four distinct areas, including (1) leveraging additional
13 resources from public and private sectors; (2) catalyzing results by innovation, demonstration and
14 replication; (3) fostering international co-operation on environmental issues; (4) mainstreaming
15 environmental issues into partner institutions. Based on additional discussion of scope in the Terms of
16 Reference, the first and the last portions of this question were combined into item (1).

17 TOR Question 3B. What are the key areas that lead to catalytic impacts and what issues need to be addressed
18 to improve catalytic impacts?

- 19 • OPS3 interprets this question to be asking about key factors, rather than key areas.

20 **TOR Question 4: Effects of GEF's Institutional Structure and Procedures on** 21 **Results**

22 TOR Question 4A. Are the GEF entities – the Implementing and Executing Agencies, the GEF Secretariat,
23 the STAP and the Trustee - performing their respective functions in a satisfactory, cost-effective and
24 responsive manner?

- 25 • No interpretation required.

26 TOR Question 4B. Are there conclusions that can be drawn with respect to cost-effectiveness and
27 responsiveness of the GEF projects in comparison to similar international institutions?

- 28 • No interpretation required.

29 TOR Question 4C. Are GEF's policies and programs adequately responding to the objectives of the
30 Conventions to which it serves as a financial mechanism?

- 31 • No interpretation required.

32 TOR Question 4D. Is the GEF's composition, structure and division of roles and responsibilities effective in
33 meeting its mandate and operations?

- 34 • No interpretation required.

35 TOR Question 4E. Are the GEF Secretariat and its partner agencies effectively responding to national
36 priorities?

- 1 • OPS3 interprets this question to focus on the national priorities of recipient countries.
- 2 TOR Question 4F. Is the GEF taking into account the varying capacities of countries including for example
3 small island developing states (SIDS), least developed countries (LDCs), emerging economies?
- 4 • OPS3 interprets “emerging economies” to mean CEITs.
- 5 TOR Question 4G. How effective has the Monitoring and Evaluation (M&E) Unit been and how effective
6 has the process of monitoring and evaluation been?
- 7 • No interpretation required.

8 **TOR Question 5: Effects of GEF Implementation Processes**

- 9 TOR Question 5A. What are the factors that influence performance at all stages of the GEF project cycle?
- 10 • No interpretation required.
- 11 TOR Question 5B. Have lessons learned and feedback been adequately integrated into project design and
12 implementation?
- 13 • No interpretation required.
- 14 TOR Question 5C. What progress has been made on the implementation of key policy recommendations
15 from Council?
- 16 • No interpretation required.

1 **Annex B: High-Level Advisory Panel**

2 For the purpose of providing advice, comments and suggestions on OPS3, an external and independent high
3 level advisory panel has been established. The Panel (HLP) will base its advice on its own knowledge and
4 expertise as well as on the terms of reference for OPS3 as agreed upon by the Council in its meeting of May
5 2004. Furthermore, given the independent status of OPS3, the panel's advice may be accepted or rejected (in
6 whole or in part) by OPS3.

7 Panel members will not represent positions of their own institutions and will excuse him or herself in any
8 conflict of interest appears. Comments and suggestions of the panel to the GEFME Office and OPS3 will be
9 provided as a panel and not from each individual member, although a panel member may take a minority
10 viewpoint if he or she deems that necessary. The GEFME Office will provide Panel's comments to Council
11 in a summary fashion, together with summaries of all stakeholder comments.

12 **HLP TOR and Work Program**

13 The Panel will receive an honorarium for their work and will be reimbursed for travel expenses as necessary.
14 The Panel is organized and paid for by a separate Terms of Reference (TOR) than that of OPS3. During the
15 first teleconference, the Panel agreed on its TOR and work program as well as on the way the Panel will
16 function.

17 **TOR**

18 The Panel is required to fulfill the following tasks.

- 19 • Become familiar with GEF major documents and OPS3 Terms of Reference
- 20 • Provide comments and suggestions to the OPS3 team and GEFME Office on the following products:
 - 21 ➤ draft inception report
 - 22 ➤ interim report
 - 23 ➤ final draft report
 - 24 ➤ methodological papers or other products of the review that the OPS3 team would like to submit to
 - 25 the advisory panel.

26 [Future drafts will include a summary of the HLP's overall contribution to the final OPS3 report.]

27 **HLP Work Program**

28	October 8	Public Announcement of HLP
29	October 13 or 14	Teleconference: intro to GEF, OPS3, HLP TORs, work program
30	October 15	Inception Report due to GEF Council
31	October 22	Teleconference: discussion on inception report
32	October 29	Comments on inception report to OPS3 and GEFME
33	November 10	Inception Report due to GEF Council

- 1 December 17 Teleconference to receive an update and progress by OPS3 and GEFME and
- 2 discuss how the plan will provide comments on the interim report and first draft
- 3 January 20 Draft Interim Report to HLP
- 4 January 20-21 Meeting in Washington, DC: comments on interim report (comments due to OPS3
- 5 and GEFME by January 28)
- 6 January 31 Interim Report due to GEF Council
- 7 April 15 First Draft Report to HLAP
- 8 April 19-20 Meeting in Washington, DC: comments on draft report
- 9 April 30 Draft Final Draft Report due to GEF Council
- 10 May 20 Final OPS3 Draft Report to GEF Council

1 Annex C. List of Interviews and Country Trips

2 [list of interviews to be provided]

3 Exhibit C-9-1. OPS3 Field Visit Schedule

Trip #	Country	Purpose	Dates
1	Kenya	UNEP Meeting, Global Projects overview	October 25 th to 29 th
	Tanzania	Country visit	
2	Romania	Black Sea-Danube Stocktaking Meeting	November 10 th to 13 th
	Thailand	IUCN Conference, East Asia/Pacific Regional Workshop	November 17 th to 25 th
	Philippines	Country visit, ADB visit	
3	Czech Republic	MOP, Country visit, Eastern Europe Regional Workshop	November 22 nd to 26 th
4	Argentina	COP 10	December 6 th to 17 th
5	China	Country visit	December 3 rd to 10 th
6	Costa Rica	Country Visit, Central America Workshop	January 10 th to 16 th
7	Mauritius	SIDS Meeting	January 10 th to 14 th
8	Cuba	Country visit, Caribbean Regional Workshop	January 23 rd to 28 th
9	Germany	UNFCCC Consultation	January 27 th
10	Russia	Country visit	January 30 th to February 5 th
11	Burkina Faso	Country visit, Francophone Africa Regional Workshop	January 31 st to February 4 th
12	Egypt	Country Visit , Middle East Regional Workshop	January 30 th to February 3 rd
13	South Africa	Country Visit, Anglophone Africa Regional Workshop	February 14 th to 23 rd
14	India	Country Visit, South Asia Regional Workshop	February 16 th to 23 rd
15	Kenya	UNEP Meeting and Interviews	February 20 th to 24 th
16	Brazil	Country visit	February 20 th to March 2 nd
	Argentina	South America Regional Workshop	
17	Kazakhstan	Country Visit ,Former Soviet Union Regional Workshop	February 28 th to March 3 rd
18	Fiji	South Pacific Regional Workshop	March 14 th to 18 th

4

Annex D. Comparison to Similar Institutions (TOR 4B)

Background and Historical Context

The cost-effectiveness and responsiveness of GEF projects in comparison to other institutions has been a recurring topic of interest within the GEF. Limited previous efforts have been undertaken to develop conclusions around this topic, though key challenges in conducting such analysis have included identifying an appropriate basis for conducting a comparative analysis among institutions with unique characteristics. OPS3 understands that that previous efforts within the GEF to conduct such assessments have been problematic in particular due to the general lack of both relevant project- and institution-level cost-effectiveness data. Additionally, the similar institutions that best met the selection criteria have non-similar technical focus areas to the GEF, which reduces the OPS3 Team’s ability to directly compare project implementation costs.

OPS3 observes that these constraints to comparison have not changed significantly, and that adequate comparison of the GEF to similar institutions would require data to allow such a comparison review to address several key questions as outlined in the Exhibit D-9-2.

Exhibit D-9-2. Questions for Institutional Comparison

Cost-effectiveness
GEF’s use of cost-effectiveness thresholds compared to the selected institutions
GEF project life cycle times and costs compared with the selected institutions
Project development costs
Project management costs/fees
Responsiveness
Project development pipeline time
Project implementation time
Timeliness of the GEF in implementing management guidance into operational projects/programs compared with the selected institutions
Responsiveness of GEF projects to the objectives and priorities of key stakeholders (e.g., Convention COPs, recipient countries) compared with the selected institutions

At the time of writing, a sufficient body of data useful for clear comparison based on these questions is still lacking, or would require a more extensive independent study with full access to performance data from other institutions. During discussions with GEF OME at the outset of OPS3, it was agreed that in light of operational constraints OPS3 would conduct a limited desk study to determine the availability of *existing* appropriate information on selected institutions that can be identified and reviewed expeditiously within the timeframe and resources of the study. It was also agreed that this information should be found in similar performance evaluation documents conducted with the last five years.

Based on these and five other factors (including the goals, structure, operations, and size of the institutions, as well as the maturity of the institutions’ portfolios), the OPS3 team developed a preliminary list of 17 comparable institutions that were candidates for comparison to the GEF. Of these 17 organizations, six met the key criteria of having undergone a significant evaluation since January 2000, and three institutions had conducted evaluations that were sufficiently comprehensive in scope to include at least limited information required by the TOR concerning cost effectiveness and responsiveness. The three institutions identified are:

- Global Fund to Fight AIDs

- 1 • World Conservation Union (IUCN)
- 2 • UNAIDs

3 Limited data was also available from a recent review of the Multilateral Fund of the Montreal Protocol
4 (MLF), which compared very specific cost-effective metrics related to MLF and GEF implementation of
5 similar ozone-related projects.

6 **Current evidence**

7 **Cost-effectiveness**

8 OPS3 found several existing metrics for measuring cost effectiveness among the three institutions. Different
9 approaches to institutional management costs were also identified. In terms of direct comparison to cost-
10 effectiveness, and the handling of implementing agency operating budgets, the MLF offered several points of
11 useful comparison. These include:

- 12 • In a direct comparison of costs of ozone-related project implementation, the cost-effectiveness of MLF-
13 implemented projects compared to GEF-implemented ozone projects was very similar. There was a 3.5
14 percent variation in the cost of ozone depleting substance phase-out, per kilogram, between the two
15 institutions. GEF costs were marginally higher at \$11.07/ODP kg (1991-2000 time period), compared to
16 MLF costs of \$10.69/ODP kg (1991-2003 time period).
- 17 • Three implementing agencies (IAs) under the MLF (the World Bank, UNDP, and UNIDO) are currently
18 are provided with fixed core funding of \$1.5 million, subject to annual review.
- 19 • In addition to core funding, project-level implementation and administrative fees are set at fixed rates
20 equal to 7.5 percent for projects with a cost at or above US\$250,000, as well as institutional strengthening
21 projects and project preparation; and, a 9 percent for projects with a cost below US\$250,000, including
22 country programme preparation. These rates are comparable to current rates used within the GEF
23 system, and are also comparable to at least one fixed fee level currently under discussion within the GEF.

24 In terms of assessing overall “corporate budgets” among the institutions studied, comparison becomes more
25 difficult due to the structure of each institution, differing technical mandates, differing institutional operating
26 environments, and questions relating to the transparency of the information included in existing evaluations.
27 Findings include:

- 28
- 29 • The GEF corporate budget, which includes all headquarters fees, administrative fees, and the fees
30 provided to implementation agencies, has remained substantially unchanged despite the addition of seven
31 new Executing Agencies and an increase in overall Fund expenses of approximately 28.5 percent from
32 2000 through 2004. The GEF corporate budget as a percentage of all costs was 11.63 percent in 2000,
33 and 13.5 percent in 2004. This data could indicate growing economies of scale and increased efficiency,
34 though further study would be needed to draw more specific conclusions. Section **Error! Reference**
35 **source not found.** of this report includes additional detail concerning the GEF’s overall cost-
36 effectiveness, and evaluation of the corporate budget as a percentage of overall costs.
- 37 • Based on its 2003 Progress Assessment, IUCN reports annual expenditures of the Director General and
38 Corporate Strategies and Services to be 13 percent, with remaining funds being reported in Global
39 Thematic Programmes and Commissions (22 percent) and Regional Programmes (65 percent). These
40 figures would appear to indicate that the GEF’s corporate expenditures are comparable to those of
41 IUCN. However, it is not immediately clear based on IUCN’s reporting whether additional corporate
42 costs are embedded with in the Thematic and Regional Programmes. If that were to be the case, the

1 GEF's overall corporate cost-effectiveness would appear to be equal to or more cost-effective than
2 IUCN. Further data would be required in order to provide a more accurate assessment.

- 3 • The Global Fund reports spending 97 percent of funds on grants, with one percent of funds going to
4 Local Financial Agents, and two percent to the Fund Secretariat. However, the data presented does not
5 make clear whether these data include implementation costs of associated implementing partners such as
6 the World Bank and UNDP. There are also dissimilarities in the modalities of GEF and Global Fund
7 operations that may skew this comparison.

8 **Responsiveness**

9 There are several findings that provide limited insights into the overall responsiveness of the GEF compared
10 to other similar institutions. These include:

- 11 • The OPS3 field study elicited many concerns regarding the inefficiency and overall timeframe of the
12 project cycle. Tightening the project cycle may both increase responsiveness to key stakeholders, and
13 improve the cost-effectiveness of the GEF overall. Additional discussion of this issue in relation to the
14 GEF is found under TOR 5a.
- 15 • Implementing agencies involved in both the MLF and GEF indicated that the GEF is, in general, a far
16 more complicated instrument. There was an observed consensus that the GEF could borrow strategies
17 from the MLF with regard to simplifying the process of project development.
- 18 • There was a mixed reaction to the GEF's overall responsiveness among the various stakeholders
19 consulting during the OPS3 field study. While some stakeholders explicitly preferred using the GEF over
20 other mechanisms or programs working in the same sector, other stakeholders conveyed that the GEF
21 was not their preferred option given the constraints on accessing the GEF, when a choice was possible
22 (principally, time and ease of use issues). There was an observed consensus that when it is deployed in a
23 timely manner, GEF funding has been very responsive in serving as "seed" funding or a "deal clincher"
24 for mobilizing other partners around key issues. GEF's grant funding modality, in particular, has been
25 cited as an attractive element that allows the GEF to be responsive in a unique manner.
- 26 • The OPS3 field study elicited mixed results concerning the level of GEF responsiveness to country
27 priorities. While there is a process in place for national priorities at the GEF to be considered during the
28 project development process, and recent initiatives to stimulate country dialogue have been seen as
29 positive steps, there are three observations that can be made by OPS3. First, the GEF does not currently
30 operate around the concept of country-based portfolios, so no operational framework exists to have
31 national priorities lead the GEF process in-country. Second, there is wide variability in country capacity
32 at the level of Focal Points, such that some countries have succeeded in matching their GEF portfolios
33 to national priorities. Third, the current system for developing country-based projects places
34 Implementing Agencies in substantial control of the fate of projects, and there are suggestions that
35 Implementing Agencies may not be as responsible to national priorities, particularly if there is no IA
36 "champion" backing a particular project. There is no data available in existing performance studies of the
37 institutions compared to confirm whether those institutions are more or less responsive to this concern.
- 38 • In terms of being responsive in demonstrating results, other similar institutions studied appear to have
39 developed specific strategies to present progress toward key metrics in their performance reporting. For
40 example, the Global Fund provides clear progress toward a range of key metrics such as people treated,
41 people reached for counseling, people trained in treatment strategies, equipment distributed, etc. IUCN
42 implements its program through "Key Results Areas" (KRAs) which allow them to clearly point to
43 achievements. IUCN also points specifically to results that would be considered unquantifiable, but that
44 they consider key enabling or supporting achievements toward its goals. UNAIDS uses log-frames that
45 explicitly link objectives and key indicators in the reporting performance evaluation process. As
46 discussed in other sections of OPS3, the development and systematic use of performance metrics within

1 the GEF, and creating linkages between those metrics and global environmental benefits is a critical
2 current shortcoming of the GEF.

- 3 • OPS3 noted that that in the performance review of the Global Fund, it was reported that for 20 percent
4 of grants, performance indicated that “no substantial progress was made against indicator targets.” OPS3
5 considered this to be useful information, since irrespective of the failures it points out, the information
6 allows the Global Fund to more accurately report on specific results. This reporting strategy suggests a
7 high level of transparency in the reporting process.

8 **Recommendations**

9 **Cost-effectiveness**

10 Cost-effectiveness of GEF projects appears to be on par with similar institutions studied, where limited data
11 was available. The overall corporate budget as a percentage of GEF costs also appears to be on par with
12 those institutions, where limited data supported limited comparison. Therefore, no specific
13 recommendations concerning cost-effectiveness have been identified.

14 **Responsiveness**

15 Project cycle issues and overall complexity are clear obstacles to responsiveness among GEF stakeholders
16 consulted during the OPS3 field study. Several stakeholders indicated that they avoid using the GEF as a
17 mechanism when other options exist. In order to improve its responsiveness, the GEF needs to further
18 streamline the project cycle so that it offers key stakeholders easier access, a clearer understanding of process,
19 and a shorter timeframe. In general, evidence from stakeholder consultations suggest that the GEF must
20 continue to make itself easier to understand and use. These ideas are treated in more depth under TOR5a.

21 Despite the emphasis on results since the last replenishment, the GEF still does not have a process for
22 managing its work and reporting on progress that allows for easy identification of results. There are
23 remaining questions concerning how to identify the most appropriate indicators or metrics for results, and
24 additional issues relating to how such results can be quantified. Further questions remain concerning which
25 results are unquantifiable, and how to identify and report on those results. In general the GEF needs to
26 develop more effective mechanisms that are embedded in the overall management process of its programs
27 from the concept to completion stage, that allow for more effective identification, quantification, and
28 communication of results. Developing such mechanisms would result in a tremendous improvement in the
29 GEF’s responsiveness to Council, donors, and other key stakeholders who continue to express demands for
30 better information on results of GEF-funded activities.

31 Responsiveness to national priorities is a central issue to GEF performance. Refer to the discussion on
32 national priorities for specific findings and recommendations (TOR 1C).

1 **Annex E. Progress on Recommendations from the** 2 **Third Replenishment (TOR 5C)**

3 In May 2000, the GEF Council requested the World Bank, as Trustee of the GEF Trust Fund, to initiate the
4 third replenishment of the Trust Fund (GEF-3). The replenishment negotiations, in October 2000 in
5 Washington, DC, commenced the GEF-3 replenishment process and finalized agreements on two issues.
6 The first issue was to maximize the focus and effectiveness of GEF operations. The second was to address
7 outstanding debts to previous GEF replenishments. It was agreed that the GEF-3 replenishment would
8 include a Second Overall Performance Study of the GEF, as well as policy recommendations for GEF-3.
9 OPS3 seeks to assess the progress of the Third Replenishment recommendations.

10 At its meeting in May 2003, the GEF Council reviewed an Action Plan to respond to the Recommendations
11 of the Second GEF Assembly, the Policy Recommendations of the Third Replenishment, the Second OPS
12 Study and the World Summit on Sustainable Development (GEF/C.21/Inf.4). Council Members
13 subsequently provided comments on the Action Plan to the Secretariat in June 2003. While the revised
14 matrix from the Action Plan (GEF/C.22/7) will provide an input toward evaluating the progress on the
15 Third Replenishment recommendations, the assessment is OPS3's own. Exhibit E-9-3 presents the status of
16 progress on implementing these recommendations. [Final report will include more summary statements.]

1 **Exhibit E-9-3. Summary of Progress on Recommendations from the Third Replenishment**

Recommendations from the Third Replenishment	Evidence of Progress on Recommendations	OPS3 Assessment
<i>GEF at the Country-Level</i>		
<ul style="list-style-type: none"> ➤ In addressing specific country needs, Participants recommend that the GEF, through country and regional dialogue workshops and the Implementing Agencies' country programming efforts, consult with the country on the range of operational tools and programming modalities that have been developed for accessing GEF assistance with a view to using the most appropriate tools to address the country needs and to enhance performance and effectiveness at the country level. 	<ul style="list-style-type: none"> ➤ An independent evaluation of the country dialogue workshops was presented to Council in November 2003, and recommended that there be an expanded second phase for the CDWs, including more resources available for workshops in a greater number of countries. ➤ Building upon lessons learned from the GEF CDWs, the GEF National Dialogue Initiative was developed by UNDP, in partnership with the GEFSEC and other IAs, to serve as one of the tools in response to the recommendations of the Third Replenishment of the GEF Trust Fund concerning strengthened country involvement and ownership and capacity building for national focal points. ➤ At the Council meeting in May 2003, the Council agreed to continue the focal point support program, and authorized financing for an independent evaluation of the program. The evaluation completed in March 2004 (GEF/C.23/Inf.12) and recommended that the GEF support program be extended with some redesign. At the May 2004 meeting, the GEFSEC submitted <i>Elements for Strengthening National Focal Points and Enhancing Constituency Coordination in GEF Recipient Countries</i> (GEF/C.23/12), proposing that, with minor changes, the program should continue to evolve over the next four years towards a more focused program that can be mainstreamed into capacity building activities within each country. At its May 2004 meeting the Council was unable to discuss the GEFSEC's proposal due to time constraints, but did extend the program for another year. The GEFSEC's proposal was also not discussed at the November 2004 meeting. 	<ul style="list-style-type: none"> ➤ Both the National Dialogue Initiative and the Focal Point and Council Member Support Program are very positive steps toward enhancing performance and effectiveness at the country level. The Council must find time to discuss the GEF Secretariat's proposal to enhance strengthening country coordination, however, rather than continuing to approve funding for the program on a year-to-year basis. Please see TOR 4D for more information.
<i>Capacity Building</i>		
<ul style="list-style-type: none"> ➤ Participants recommend that the GEF Secretariat and Implementing Agencies propose to the Council means to rationalize and coordinate activities in the field of enabling activities and capacity building to achieve effectiveness and efficiency. ➤ Participants also recommend that the GEF Secretariat and the Implementing Agencies give attention to the special needs of the least developed countries and small 	<ul style="list-style-type: none"> ➤ In 2005, the Council approved the introduction of a pilot program for the financing of smaller MSPs up to \$250,000, and Council Members expressed support for expanding the SGP. In addition, the Council approved an increase in SGP funding to \$47 million for the first year of the SGP's Third Operational Phase. ➤ A new sustainable land management portfolio of projects for LDCs and SIDS will confirm be available to help 49 LDCs 	<ul style="list-style-type: none"> ➤ The GEF has taken commendable actions to try to accommodate the varying capacities of LDCs, SIDS, and CEITs. Please see TOR 4F for a more detailed assessment.

<p>island developing states among them, particularly their needs for capacity building, consistent with recommendations aimed at maximizing results.</p>	<p>and SIDS that have not yet completed their National Action Programs (NAP) to Combat Desertification, to help them develop individual, institutional, and systematic capacity for sustainable land management.</p> <ul style="list-style-type: none"> ➤ GEF established an LDC Fund as a first step to provide funding to meet the full cost of preparing NAPAs, to help build capacity for the preparation of national communications under Article 12, paragraph 1 of the UNFCCC. As of September 2004, projects for the preparation of NAPAs in 43 countries have been approved, totaling US\$ 9,415, 219. 	
<p>Strategic planning</p>		
<ul style="list-style-type: none"> ➤ Participants request the GEF Secretariat to work with the Council to establish a system for allocating scarce GEF resources within and among focal areas with a view towards maximizing the impact of these resources on global environmental improvements and promoting sound environmental policies and practices worldwide. ➤ In this connection, Participants request the GEF Secretariat to prepare, in consultation with the Council, a paper for Council review and decision at its meeting in May 2003. A draft paper that can be used as a basis of consultation should be circulated to Council Members by February 1, 2003. The paper should propose an allocation system, for which implementation should be initiated immediately after a Council decision in May 2003, based on the core principles of selectivity, accountability, and results. ➤ The system should establish a framework for allocation to global environmental priorities and to countries based on performance. Such a system would provide for varied levels and types of support to countries based on transparent assessments of those elements of country capacity, policies and practices most applicable to successful implementation of GEF projects. This system should ensure that all member countries can be informed as to how allocation decisions are made. 	<ul style="list-style-type: none"> ➤ The GEF Council has discussed the development of a resource allocation framework at its various meetings. The Council discussed GEF/C.21/8, <i>Issues Note: A Framework for Programming Resources for Enhanced Performance and Results at the Country Level</i> at the May 2003 meeting, and requested “the GEF Secretariat to establish and chair a working group of technical experts to prepare elements of a framework for GEF performance-based allocations for Council review and approval.”²¹⁶ ➤ Based on nominations received from Council members, and other experts identified by the Secretariat, the CEO constituted a Technical Working Group that worked during August-October 2003 towards developing a resource allocation framework. The Group presented its final report GEF/C.22/11, <i>Performance-based Framework for Allocation of GEF Resources</i>, at the November 2003 meeting. The Council reviewed the report and requested the Secretariat to develop a GEF-wide system based on global environmental priorities and country-level performance relevant to those priorities. Further, the Council requested the Secretariat to present to the May 2004 Council meeting a study of options to strengthen the current system of allocating GEF resources with a view to coming to a conclusion in November 2004.²¹⁷ ➤ At the May 2004 meeting, Council reviewed GEF/C.23/7, <i>Performance-based Framework for Allocation of GEF Resources</i>, and 	<ul style="list-style-type: none"> ➤ While the progress has been slow on establishing a system for allocating scarce GEF resources, in large part because of the complexity of the issue and political ramifications, good discussion has taken place on the development of a Resource Allocation Framework.

²¹⁶ Joint Summary of the Chairs, GEF Council Meeting, May 14-16, 2003, para.18.

²¹⁷ Joint Summary of the Chairs, GEF Council Meeting, November 2003.

<ul style="list-style-type: none"> ➤ To achieve this end, the GEF Secretariat and Implementing Agencies are requested to collaborate in presenting a new strategic approach to business planning for consideration by the Council at its meeting in May 2003. ➤ The new strategic business plan should be a performance-based, three year plan, that includes priorities for action to maximize results and impacts on the ground and to fulfill the mission of the GEF to achieve global environmental benefits in its focal areas. The strategic business plan should provide an indicative financial planning framework, based on focal areas and program priorities, that provides reasonable predictability for the involvement of the GEF in the medium term, linked to indicators of strategic relevance, programmatic consistency, and expected outcomes. The strategic business plan should be reviewed and approved annually by the Council. Such review should take into account, among other things, changes that may emerge from country priorities, convention guidance and lessons learned from the GEF monitoring and evaluation activities. 	<p>agreed that the GEF Secretariat convene a seminar in September 2004 with a view to advancing the Council's work. The Secretariat was requested to prepare a more elaborated document for the seminar, taking into full account the decision of the GEF Council at its Nov 2003 meeting.</p> <ul style="list-style-type: none"> ➤ A seminar was held in Paris during September 27-28, 2004, for which the Secretariat tabled a discussion paper, <i>GEF Resource Allocation Framework</i>. No consensus emerged on any of the three models for resource allocation that were presented in the paper. The seminar participants requested that the Secretariat present a paper to the Council for its review in November 2004 that will include options for a resource allocation framework reflecting the views presented at the seminar and at earlier Council meetings. ➤ The Secretariat submitted a document, GEF/C.24/8, <i>GEF Resource Allocation Framework</i>, for discussion at the November 2004 meeting. ➤ A consultation was held in Paris on March 2, 2004 to discuss the RAF, which will be further discussed at the June 2004 Council meeting. 	
<p>Project Cycle</p>		
<ul style="list-style-type: none"> ➤ Participants recommend that the GEF Implementing Agencies continue, in their dialogue with countries, to rigorously address the performance indicators related to expected success of a project at the country level, including country ownership, replicability, sustainability, public involvement, monitoring and evaluation, and co-financing. Such indicators should also address assessment of project results and global environmental impacts. ➤ Participants recommend that the Council formulate stricter criteria for project and program quality, including criteria on co-financing, on the basis of monitoring and evaluation experience and lessons learned by the GEF. 	<ul style="list-style-type: none"> ➤ The GEF has continued to review and improve the project cycle, clarifying policies and procedures for project amendments and drops/cancellations, and reviewing proposals for enhancing MSPs. ➤ Also see comments on co-financing and indicator development below. 	<ul style="list-style-type: none"> ➤ The project cycle continues to be a struggle for the GEF, and indicators have not been fully developed as requested. Please see TOR 5A for a more detailed assessment.
<p>Incremental Costs</p>		
<ul style="list-style-type: none"> ➤ The GEF Secretariat and the Implementing Agencies should continue their efforts to develop simpler guidance and communication for recipient countries on the determination of incremental costs and global benefits, 	<ul style="list-style-type: none"> ➤ The Action Plan (GEF/C.21/Inf.4) states "In consultation with the Implementing Agencies and Executing Agencies, the Secretariat will: (1) develop simpler guidance and communications for recipient country officials on the 	<ul style="list-style-type: none"> ➤ The activities described in the Action Plan have not been undertaken to date. Please see the discussion of TOR 4D for

<p>including dissemination of a framework for increasing recipient's involvement in the process of estimating these costs.</p>	<p>determination of incremental costs and global environmental benefits; (2) draft a framework for reaching agreement with countries on incremental cost. Among other things, such a framework would ascertain the involvement of beneficiaries and appropriate cost sharing and (3) assist the Implementing and Executing Agencies to pilot this approach in a few countries.”</p>	<p>more information.</p>
<p>Strengthening of Institutional Arrangements</p>		
<ul style="list-style-type: none"> ➤ It is recommended that the GEF institutional structure be strengthened to support a continued emphasis on quality and results, to ensure that new demands on the GEF are effectively addressed, and to streamline project processing procedures. ➤ Participants recommend that in seeking to address these objectives and challenges, the GEF continue to build upon the comparative advantages of each of its entities as well as of their partnership. The Council is requested to review and approve the agreed plan of the GEF Secretariat and Implementing Agencies to enhance their partnership and interactions by improving clarity in roles through specification of clear accountabilities and responsibilities. 	<ul style="list-style-type: none"> ➤ To further improve institutional coordination and operational efficiency, the GEF Secretariat created the new Operations Coordination Team (OCT) in FY04 (GEF/C.23/9). The OCT has organized with the IAs a series of meetings to address and resolve outstanding operational issues. ➤ In December 2001, the Council reviewed a paper presenting proposals to strengthen the overall structure, processes and procedures of the GEF. As a follow-up, the GEF Secretariat, in consultation with the other GEF partners, prepared a paper clarifying the main roles and the responsibilities of the GEF entities, which was presented in its final form in May 2003 (GEF/C.21/Inf.5). 	<ul style="list-style-type: none"> ➤ Although much more institutional strengthening certainly could and should be undertaken in the GEF, the GEF institutional arrangements have become stronger and more robust since OPS2, especially aided by the creation of the OCT in the GEF Secretariat. Please see TORs 4D and 4A for more information.
<ul style="list-style-type: none"> ➤ Participants recommend that the Council agrees that current executing agencies designated under expanded opportunities that have demonstrated their capacity and comparative advantage in developing and managing GEF projects through a portfolio of GEF activities (the Asian Development Bank and the Inter-American Development Bank) should now benefit from direct access through the GEF Secretariat to the Council for GEF project funding. It is also recommended that Council review annually, beginning in May 2003, the experience of other executing agencies designated under expanded opportunities and consider whether additional agencies should benefit from such direct access based on having satisfactorily demonstrated to the Council their capacity and comparative advantage in the management of GEF project activities. It is further recommended that an in-depth examination of the performance of the executing agencies operating under expanded 	<ul style="list-style-type: none"> ➤ In November 2003, a review of the performance of the EAs recommended that, to reduce the complexities of the IA/EA arrangement and to alleviate some of the constraints impeding more active participation from current EAs, all EAs should be granted direct access to GEF project planning and implementation funds without involving the IAs beyond the initial due diligence reviews (GEF/C.22/12). ➤ At its November 2002 meeting, the Council approved direct access for EAs within their agreed scope of operation and also agreed that on a case-by-case basis, the CEO may approve <i>PDF-A grants</i> for the development of eligible concepts by an EA. The Council also requested the Secretariat to review the scope of GEF operations for each agency on the basis of a systematic review of institutional capacity in relation to GEF business needs. The Council also requested the Secretariat to further enhance the integration of EAs into GEF operations in a cost effective manner. ➤ In the November 2004 Trustee Report (GEF/C.24/Inf.3), the 	<ul style="list-style-type: none"> ➤ The GEF has fulfilled this recommendation of the Third Replenishment by granting direct access to EAs under expanded opportunities and undertaking an in-depth review of the GEF's experience with the EAs thus far.

<p>opportunities, including those with direct access, be carried out during the third replenishment period with the objective of recommending continuation and/or modification of the policy.</p>	<p>Trustee reported that ADB, IADB, and UNIDO had finalized their arrangements for direct access to GEF resources.</p>	
<p>Co-Financing</p>		
<ul style="list-style-type: none"> ➤ Participants request recipient countries, the Implementing Agencies and Executing Agencies and other donors to generate additional resources to leverage GEF funding. Co-financing levels should be a key consideration in considering work program inclusion. ➤ Participants recommend that the GEF establish a co-financing policy, with consistent criteria and reporting requirements as well as co-financing targets. Such targets should provide flexibility to take into account specific project situations. The amount of realized co-financing in a project or program should be monitored and compared to the amount of co-financing anticipated at the time of Council approval, and this indicator should be reported to the Council on a regular basis. Recalling the Council's request for a note on co-financing of GEF projects in May 2001, the Participants recommend that a proposed co-financing policy be prepared by the Secretariat, in consultation with the Implementing and Executing Agencies, for consideration by the Council at its meeting in October 2002. 	<ul style="list-style-type: none"> ➤ The Council reviewed and commented on document GEF/C.20/6, <i>Cofinancing</i>, at its October 2002 meeting. The Council requested the Secretariat, in consultation with the IAs and EAs, to prepare a revised paper for the May 2003 meeting. The Council also requested the GEF Secretariat, in consultation with the IAs and EAs, to establish a database on cofinancing that will allow a better analysis of GEF experience and monitoring of cofinancing throughout project development and implementation. ➤ A policy and criteria on co-financing, <i>Cofinancing</i> (GEF/C.20/6/Rev.1), was presented to and approved by the Council at the May 2003 meeting. This paper identified several issues concerning current practice – consistency in reporting, monitoring of co-financing, adequacy of co-financing levels, stability of commitment – and proposes an approach with the following elements: (1) adopting consistent criteria for reporting co-financing; (2) monitoring and evaluating the GEF experience in cofinancing; (3) applying lessons, managing in-kind commitments, and increasing co-financing levels; and (4) confirming commitments and reviewing substantive changes. ➤ In approving the paper, the Council requested the Secretariat, in consultation with the IAs and EAs acting under expanding opportunities to implement the policy and to report to Council in the GEF business plans on overall progress in implementing the policy. ➤ The FY05-07 Business Plan (GEF/C.22/6) reported that, since Council approval of the co-financing policy and procedures, the definitions of different types of co-financing and co-financing requirements had been disseminated to the IAs and EAs; co-financing requirements had been included as explicit criteria when reviewing GEF projects, and monitored for each project in the GEF database. The document also reported that the GEF M&E unit was tracking actual co-financing realized, at project mid-term and completion, through the annual project implementation review. 	<ul style="list-style-type: none"> ➤ The situation presented in the FY05-07 Business Plan has not been the assessment of OPS3; instead, actual co-financing realized appears to be tracked in an ad hoc manner, and confusion still remains regarding co-financing versus leveraged resources. Please see the discussions of TORs 5B and 3A for more information.

Private Sector		
<ul style="list-style-type: none"> ➤ Participants recommend that the GEF Secretariat, in collaboration with the Implementing and Executing Agencies, develop a new strategy to better engage the private sector, taking into account previous practices and policies. Participants recommend that the GEF, in preparing the strategy, consult with private sector actors to identify perceived constraints to working with the GEF. Clear operational guidelines should be elaborated in order to define the scope of GEF collaboration with private sector activities. 	<ul style="list-style-type: none"> ➤ At the May 2004 Council meeting, the M&E unit presented their final report on the <i>Review of GEF Engagement with the Private Sector</i> (GEF/C.23/Inf.4). The GEF Secretariat also presented <i>Principles for Engaging the Private Sector</i> (GEF/C.23/11), for which the Secretariat and the Implementing Agencies consulted the private sector on several occasions, including the <i>Workshop on Business Models for Protecting the Global Environment</i>. ➤ At its November 2004 meeting, the Council reviewed the <i>Management Response to the Review of GEF's Engagement with the Private Sector</i> (GEF/ME/C.24/6) and requested the Secretariat to articulate a private sector strategy, with the collaboration of the IAs and EAs, and in consultation with private sector stakeholders. The strategy is to be submitted to Council at its December 2005 meeting. 	<ul style="list-style-type: none"> ➤ This recommendation has only been partly implemented. A private sector strategy is currently under development, but will not be completed within GEF-3. Please see TOR 3A for more information.
STAP		
<ul style="list-style-type: none"> ➤ Participants recommend that UNEP and the Secretariat, in consultation with the other Implementing Agencies and taking into account the views and recommendations of the STAP constituted during GEF-2 as well as the results of OPS2, present to the Council for its consideration proposals on the role of STAP. 	<ul style="list-style-type: none"> ➤ The Council, at its meeting held in May 2002, endorsed the recommendation to stagger the terms of appointment of members to the Panel by approving the composition of STAP-III. Further, the third meeting of STAP-III, held in October 2003, discussed and agreed on a note prepared by UNEP on the role of STAP (GEF/C.23/10). To better integrate the STAP within the GEF, new coordination arrangements were agreed upon, STAP high-level segments were established, a new STAP roster of experts was established, and STAP adopted a Triennial Work Program. ➤ To further clarify the role and responsibilities of STAP, Rules of Procedure for STAP were prepared and submitted to all STAP members in March 2004. ➤ In October 2004, STAP had extensive discussions with the GEF Secretariat and the IAs about work that the Panel might undertake over the next two years. STAP decided that it would emphasize its role as a provider of strategic advice, while continuing to advise on narrower, more technical issues (GEF/C.24/Inf.15). 	<ul style="list-style-type: none"> ➤ While some progress has been made to try to better integrate the STAP within the GEF, and proposals have been made on the future role of STAP, much work remains to be done to make the STAP an effective entity in the GEF. Please see TOR 4A for more information.
Measuring Performance through Strengthened Monitoring and Evaluation		
<ul style="list-style-type: none"> ➤ Participants recommend that the GEF Monitoring and Evaluation Unit, the Secretariat and the Implementing and Executing Agencies develop a common interagency 	<ul style="list-style-type: none"> ➤ In the document Reporting on Performance Targets to be Achieved by Fall 2004 (GEF/C.24/3), the following progress on developing indicators is noted: 	<ul style="list-style-type: none"> ➤ While the GEF has made commendable efforts to develop indicators to assess

<p>approach on indicators to be used as practical guidelines for more systematic monitoring of such activities and document best practices of stakeholder participation.</p> <ul style="list-style-type: none"> ➤ The GEF Secretariat and Implementing and Executing Agencies should collaborate to ensure that strategic goals and priorities established in the strategic business plan are linked to programmatic and project performance indicators, including expected outcomes that can be monitored and measured with a view to assessing progress towards fulfilling such strategic goals. Indicators should be designed with a view to assessing global environmental impacts achieved from the GEF resources. All projects must include clear and monitorable indicators, plans for monitoring and supervision, and identification of risks and other factors designed to improve quality at entry and to maximize impact. There should be a transparent system for the monitoring of these indicators and outcomes and for informing the Council on an annual basis. ➤ The GEF Monitoring and Evaluation Unit and the Secretariat, in collaboration with the Implementing and Executing Agencies, should establish concrete indicators to measure progress in mainstreaming. Participants requested the Implementing Agencies to submit annual status reports on their mainstreaming strategies to the Council. 	<ul style="list-style-type: none"> ➤ “The Secretariat and the Implementing Agencies have spent considerable time and resources developing methodologies, generating and collating information to report against the performance measures and to measure coverage and impact of the respective portfolios. It is recognized that these performance measures were derived from the programming paper that was prepared for purposes of the third replenishment of the GEF. Some focal areas have been relatively successful in tracking the targets. However, in others, the indicators, while seemingly appropriate at the macro-level, neither provide useful assessment of outcomes resulting from GEF projects nor serve as an incentive to achieve the strategic results towards which the GEF should be striving. The indicators and associated tools of assessment require ongoing refinement. The Secretariat will continue to improve both the means to measure achievement and impact at the portfolio level and the indicators themselves.” ➤ The M&E Four Year Work Plan (GEF/ME/C.24/5) also identifies the following indicator-related activities as needing attention: ➤ “Development and strengthening of program indicator systems. Program indicator systems need to be developed for POPs, land degradation, integrated ecosystems and capacity development. Indicators for biodiversity, climate change and international waters need to be updated and strengthen. ➤ Mainstreaming of GEF concerns in IA and EA internal reviews and feedback systems in monitoring reports, including rating criteria and practices across agencies.” 	<p>global environmental impacts from GEF resources, this process is no where near complete and many factors complicate the process. Please see TORs 1A, 1B, 4G, and 5B for more information.</p>
<ul style="list-style-type: none"> ➤ Participants request that for each replenishment, projections of outcomes for the forthcoming replenishment period be provided so that countries better understand the outcomes and impacts expected to be achieved with the resources to be provided. Participants note that projected outcomes were prepared and considered for the current replenishment. The replenishment process should also be informed of the results and impacts achieved during the previous replenishment, such as through an independent overall performance study as was the case for GEF-3, and this information should be provided in advance of the 	<ul style="list-style-type: none"> ➤ At the last GEF Replenishment, the Council decided that the Office of M & E will verify the attainment of the replenishment targets approved for GEF3. The first report will be submitted to the November 2004 GEF Council meeting (GEF C.24/3). The second report is scheduled for the end of GEF3 in 2006. If requested by the Council, the Office will continue this work during GEF4. ➤ The M&E Four Year Work Plan (GEF/ME/C.24/5) also identified a need to pay more attention to the development of methodologies to calculate GEF achievements related to replenishment and Assembly decisions. ➤ OPS3 is currently under preparation and should be submitted 	<ul style="list-style-type: none"> ➤ The GEF, and specifically the Office of M&E, has taken appropriate action to address this recommendation.

replenishment process.	in advance of the replenishment process.	
<ul style="list-style-type: none"> ➤ Participants recommend that a high priority be placed on strengthening M&E of GEF projects. Participants also recommend that the roles and responsibilities for M&E among the GEF M&E Unit, the Secretariat and the IAs and EAs be reviewed by the Council together with recommendations aimed at developing a partnership approach to M&E responsibilities in order to increase complementarity. More specifically, Participants recommend that the following actions be undertaken: ➤ the GEF M&E unit, for purposes of evaluation, 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; ➤ a process for Council oversight of M&E should be established; ➤ the GEF Secretariat and IAs and EAs should establish a procedure to disseminate lessons learned and best practices emanating from the M&E activities; ➤ a formal “feedback loop” should be established between evaluation findings and management activities to ensure more systematic use of the results and outputs of GEF projects for the improvement of planning and subsequent activities; ➤ the GEF Secretariat and the IAs and EAs are called upon to report annually to the Council on their response to relevant recommendations of OPS2 and the replenishment documents; ➤ the monitoring and evaluation unit should establish more rigorous minimum standards for GEF-specific aspects of projects relating to GEF policies and strategies expected of monitoring and evaluation units of the IAs and EAs; ➤ as each of the IAs and EAs has its own system for drawing lessons from operational experiences, the GEF M&E unit should facilitate more intensive interagency sharing of experiences relevant to the GEF; ➤ all projects should include provisions for monitoring the impacts and outcomes of projects, and those existing projects which do not have such provisions and which 	<ul style="list-style-type: none"> ➤ The terms of reference for an independent monitoring and evaluation unit reporting directly to Council were approved by Council in July 2003, and new director of M&E was appointed in 2004. In 2004, the GEF M&E unit was renamed the Office of M&E (OME). ➤ The OME document <i>Elements for a New GEF Monitoring and Evaluation Policy</i> (GEF/ME/C.24/1), presented to Council in November 2004, outlined an approach for follow-up on M&E reports through a system of management responses prepared by the GEF Secretariat and a management action record (MAR), maintained by OME for reporting on follow-up to decisions of Council on M&E reports and management responses. ➤ In its document <i>Elements for a New GEF Monitoring and Evaluation Policy</i>, OME proposed to start a process of consultation with GEF partners to develop proposals for a new division of labor on M&E activities. ➤ OME proposed, in <i>Elements for a New GEF Monitoring and Evaluation Policy</i> (GEF/ME/C.24/1), to start up a collaborative effort with the evaluation units, offices, and departments of the GEF partners to identify best practices in environmental evaluations and in monitoring the specific issues that the GEF is concerned about. OME held the first consultative workshop in January 2005 with the IAs, EAs, and GEF Secretariat, which OPS3 attended. A follow-up workshop is planned in Rome for EAs that were not able to attend in January, as well as additional consultations with STAP, NGOs, and other stakeholders. 	<ul style="list-style-type: none"> ➤ Since OPS2, GEF M&E has been in the process of redefinition, beginning with the approval of the TOR for an independent Office of M&E. Through the preparation of a new Four Year Work Plan and Elements for a New GEF M&E policy, as well as through the consultative process, OME has made great strides towards strengthening and improving the effectiveness of M&E in the GEF. Please see TOR 4G for a more detailed discussion.

<p>have more than two years left in their implementation should be retrofitted to meet such monitoring standards;</p> <ul style="list-style-type: none">➤ the M&E unit should report annually to the Council on its work; and➤ the M&E unit should be provided access to all project documents of the IAs and EAs relating to GEF-financed activities.➤ Taking into account the above two paragraphs, Participants recommend that the M&E unit prepare a note for consideration by the Council at its meeting in October 2002 on the terms of reference for the independent M&E unit.		
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ⁱ “Report on Meeting the Biodiversity Performance Measures by Fall 2004,” November 2004.

ⁱⁱ United Nations Environmental Program World Conservation Monitoring Center (UNEP-WCMC). 2003. “2003 United Nations List of Protected Areas.” Cambridge, UK: Jointly published by IUCN and UNEP WCMC.

ⁱⁱⁱ We are using O’Toole’s (1997) definition of networks as “structures of interdependence involving multiple hierarchical arrangement (p. 45).” Rank and Wald (2000) define a network as consisting “of a well-defined, persistent, and structured set of semi-autonomous corporate actors engaged in numerous mutual exchange relationships in order to jointly reach the common network objectives” (p. 3).

^{iv} We acknowledge along with O’Toole that the notion of a network “includes a very wide range of structures in between [formal hierarchies and perfect markets] (ibid.). These forms may include coalitions, alliances, partnerships, and so on.

^v BPS2004 found that, of the projects assessed that reported achievements regarding the overall likelihood of sustainability, MSPs outnumber FSPs by approximately two to one, while FSPs outnumber MSPs approximately two to one for projects that reported shortcomings on sustainability.