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GEF PORTFOLIO PERFORMANCE REPORT, 2005

(Prepared by the Secretariat and the Implementing and Executing Agencies)

Recommended Council Decision

The Council, having reviewed GEF/ME/C.28/4, *GEF Portfolio Performance Report 2005*, welcomes the overall finding that the GEF portfolio under implementation in 2005 was performing satisfactorily across all focal areas. The Council notes that the responsibility for monitoring the performance of the GEF portfolio has been transferred from the Office of Evaluation to the GEF Secretariat, which will fulfill its monitoring responsibilities in collaboration with the Implementing and Executing Agencies.

The Council recognizes the need for harmonization of monitoring tools across the agencies to ensure more coherent aggregation of findings at the GEF corporate level. The Council requests the Secretariat, in collaboration with the Implementing and Executing Agencies and STAP, to develop a comprehensive Results Management Framework for the GEF to be implemented in GEF-4 which will incorporate monitoring and reporting at three levels: corporate, programmatic (focal area) and projects. The Secretariat is requested to submit a proposal for an overall GEF Results Management Framework to the Council for review at its meeting in December 2006. The annual Portfolio Performance Report should be fully integrated into the overall GEF Results Management Framework.

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EXECUTIVE SUMMARY

1. The Annual Portfolio Performance Report (PPR) provides to the GEF Council and other stakeholders information regarding the status of the health of the GEF portfolio currently under implementation.

2. In the context of the realignment of the roles and responsibilities of the newly independent GEF Evaluation Office vis-à-vis the GEF Secretariat, the Portfolio Performance Report 2005 (PPR 2005) has been prepared by the GEF Secretariat, through a Portfolio Performance Review Process undertaken in collaboration with the Implementing and Executing Agencies.

3. This Council paper provides an overview of the key findings of the PPR 2005 as well as a summary of progress made to date, challenges and next steps regarding the development of the GEF Results Management Framework[1], to be brought forward for Council consideration by the end of 2006.

Key Findings

4. The 2005 Project Implementation Review (PIR) included 392 ongoing full and medium sized projects that had been under implementation for at least one year by June 30, 2005. This number reflects the steadily growing portfolio of projects under implementation, from 135 projects in 1999.

5. The total amount of GEF funds allocated to full and medium-sized projects under implementation in FY 2005 was $2,113 million (including PDF grants for these projects).

6. Based on project implementation reports, the overall finding from the 2005 PIR is that the GEF portfolio under implementation was performing satisfactorily across all focal areas in FY 2005.

Challenges

7. The Portfolio Performance Review exercise revealed a number of challenges in the area of portfolio performance monitoring.

8. Over the years, GEF Focal Area Task Forces have been making strides to define core focal area indicators and to develop tracking tools to improve the quality of M&E arrangements. In particular, the Biodiversity Focal Area has made substantial progress and developed tracking tools for GEF-3 projects under Strategic Priority One (Catalyzing Sustainability of Protected Area Systems) and Strategic Priority Two (Mainstreaming Biodiversity in Production

[1] A Draft policy recommendation currently under discussion in the fourth replenishment of the GEF Trust Fund directs the Secretariat, GEF Agencies and the GEF Evaluation Office to develop a common set of quantitative and qualitative indicators and tacking tools for each focal area to be used consistently in all projects with a view to facilitating aggregation of results at the country and program levels and assessment of GEF transformational impact.

Landscapes and Sectors). The system allows for key project level indicators to be rolled up to the level of the biodiversity portfolio in order to present a consolidated picture of portfolio-level coverage and outcomes. PPR 2005 presents the findings of the biodiversity tracking tools from the first three fiscal years of GEF-3.

9. While the use of project-level indicators have improved over the years, the identification and use of appropriate indicators at the portfolio level and issues related to attribution still present a challenge. Ability to roll up indicators from the individual project-level to the portfolio-level and to track overall portfolio performance remains uneven across the GEF focal areas. In all Focal Areas, work is underway to address these issues.

10. In monitoring performance, there is great variety in definitions, tools, content, formats, procedures, data collection methods, indicators, targets and objectives, quality of baselines, etc. utilized by GEF agencies. Consequently, there is a need for harmonization or standardization across the agencies to ensure more coherent aggregation of findings at the GEF corporate level.

11. Most monitoring activities of GEF's Implementing and Executing Agencies, including annual project performance ratings, are carried out by local project staff or agency program managers. While this can ensure optimal feedback of lessons learned from project to program level, it is a form of self-assessment and may bias reporting towards subjective and sometimes overly-optimistic ratings.

12. In terms of the project performance ratings, statistics regarding projects-at-risk reported by the Agencies may provide more reliable information. In fact, the risk management systems that are being implemented by the Implementing Agencies are intended to overcome the shortcomings of the self ratings.

Towards a GEF Results-Management Framework

12. While the issue of project level indicators in the context of project monitoring and evaluation systems has been sufficiently dealt with, and considerable progress has been achieved in some focal areas in developing portfolio level indicators, further work, both at a conceptual and empirical level, needs to be undertaken. Towards this objective, the policy recommendations currently under discussion in the fourth replenishment negotiations of the GEF provides support towards developing a Results Management Framework for the GEF.

13. In response to the challenges faced, the Secretariat will lead an interagency effort to rethink and reconceptualize the portfolio performance review exercise as part of the larger effort to develop a comprehensive Results Management Framework for the GEF to be implemented for GEF-4, incorporating monitoring and reporting at three levels: (i) corporate level; (ii) programmatic (focal area) level; and (iii) project-level.

14. Among other things, this framework is intended to address:

a) Progress towards/achievement of GEF replenishment targets;

b) Outcomes achieved by projects that have completed implementation;

c) Issues associated with implementation of the portfolio; and

d) Quality-at-entry of project proposals.

Next Steps

15. In order to be able to collectively address the above issues, an *Inter-Agency Working Group on Results-Management*, chaired by the Secretariat and comprised of representatives from the Implementing and Executing Agencies, and STAP has been established.[2] This Group will develop an overall GEF Results Management Framework for review by the Council at its December 2006 meeting. The Focal Area Task Forces will continue their work to develop and improve their respective indicators and tracking tools in congruence with the development of the framework. The annual PPR exercise will also be reconceptualized as part of the larger effort to develop a comprehensive GEF Results Management Framework, to be implemented for GEF-4.

16. To support this process, a request is being made for a *Special Initiative for Results Management* in the FY07 Corporate Budget. This activity would be in line with the on-going efforts to develop an overall GEF Results Management Framework.

[2] The GEF Evaluation Office has offered to provide advice to the group.

INTRODUCTION

1. The Annual Portfolio Performance Report (PPR) provides to the GEF Council and other stakeholders information regarding the status of the health of the GEF portfolio currently under implementation.

2. Reporting on portfolio performance was part of the Annual Portfolio Performance Report (PPR) prepared by the GEF Monitoring and Evaluation Unit until 2004. In the context of the realignment of the roles and responsibilities of the newly independent GEF Evaluation Office vis-à-vis the GEF Secretariat, the responsibility for monitoring the GEF portfolio (and reporting to the GEF Council) has been transferred to the GEF Secretariat, to be undertaken in collaboration with the Implementing and Executing Agencies.

3. Accordingly, the Portfolio Performance Report 2005 (PPR 2005) has been prepared by the GEF Secretariat, through a Portfolio Performance Review Process undertaken in collaboration with the Implementing and Executing Agencies. The GEF Evaluation Office has separately submitted its second Annual Performance Report (APR 2005) for discussion at this Council meeting.

4. In addition, one of the policy recommendations under discussion for the fourth replenishment of the GEF Trust Fund directs the GEF Secretariat, GEF Agencies and the GEF Evaluation Office to develop a common set of quantitative and qualitative indicators and tracking tools for each focal area to be used consistently in all projects with a view to facilitating aggregation of results at the country and program levels and assessment of GEF transformational impact. A complete Results Management Framework is to be developed by the GEF Secretariat and brought forward for Council consideration by the end of 2006.

5. This Council paper provides an overview of the key findings of the PPR 2005 as well as a summary of progress made to date, challenges and next steps regarding the development of the GEF Results Management Framework, to be implemented for GEF-4.

PERFORMANCE MONITORING OF GEF PROJECTS

6. Currently, monitoring of GEF projects is conducted by GEF Implementing and Executing Agencies through two interrelated exercises:

(a) an internal agency exercise in line with regular agency project supervision systems (at the project level and at the agency's portfolio level); and

(b) a GEF corporate exercise – portfolio performance review conducted annually as part of GEF corporate monitoring (at the portfolio level across all agencies).

7. While agencies are concerned more with project implementation issues and monitoring their own projects and portfolios, the main concern of GEF corporate monitoring is overall "program" or "portfolio" level performance across all agencies and is conducted through an iterative process that involves all agencies of the GEF. Implementing and Executing Agencies are required to design M&E plans for GEF projects, monitor individual projects during implementation, prepare annual Project Implementation Reports (PIRs) for on-going projects,

and aggregate PIR findings in focal area summary reports and portfolio overview reports. This information is then combined with findings of Terminal Evaluations of completed projects. The final outcome feeds into GEF corporate monitoring as an assessment of the state of progress for the entire GEF portfolio and is reported to the Council.

8. GEF's existing corporate monitoring system via the PIRs has been in existence since 1996 and, with minor modifications, it has continued to be the main reporting tool to the Council regarding portfolio performance exercise. It is a creative attempt to bridge the differences in internal monitoring practices and systems across GEF's Implementing and Executing Agencies and to create a platform in which monitoring information from GEF projects can be aggregated in order to assess overall portfolio performance.

9. Until FY2005, the annual PIR exercise was coordinated by the GEF Monitoring and Evaluation Office. However, in 2005, in accordance with its new portfolio monitoring responsibilities, the Secretariat took over the task of coordinating the PIR exercise and conducted PIR 2005, following the same principles and procedures used in PIR 2004, with a few minor additions. Assessment of Terminal Evaluations continue to be undertaken by the independent GEF Evaluation Office as part of the APR exercise.

PORTFOLIO PERFORMANCE REVIEW PROCESS 2005

10. The Portfolio Performance Review process is based on Project Implementation Reports (PIR) prepared for all projects under implementation. The portfolio performance review exercise was initiated in May 2005 when the Secretariat circulated PIR guidelines to all Implementing (IAs) and Executing Agencies (EAs). Over the course of several months, GEF Agencies submitted individual project implementation reports for all full and medium-sized GEF projects (excluding enabling activities) that have been under implementation for at least one year, as of June 30, 2005. As in previous years, these project implementation reports described and rated each project's performance during the year. The Agencies rated their projects under implementation according to two criteria: implementation progress and progress towards attaining development/global environmental objectives.[3]

11. This year, in addition to submitting PIRs for individual biodiversity projects, the Agencies were also requested to submit completed tracking tools for GEF-3 projects under Strategic Priority One (Catalyzing Sustainability of Protected Area Systems) and Strategic Priority Two (Mainstreaming Biodiversity in Production Landscapes and Sectors) that were part of the PIR 2005 cohort. The tracking tools are central to the portfolio monitoring system that has been established by the GEF Secretariat and the Implementing Agencies in the biodiversity focal area. The system, which was developed for application at the start of GEF-3, allows for key project level indicators to be rolled up to the level of the biodiversity portfolio in order to present

[3] Six ratings were used by agencies: Highly Satisfactory (HS), Satisfactory (S), Marginally Satisfactory (MS), Marginally Unsatisfactory (MS), Unsatisfactory (U) and Highly Unsatisfactory (US).

a consolidated picture of portfolio level coverage and outcomes. The portfolio monitoring system will continue to be implemented in the GEF-4 period.[4]

12. The Secretariat compiled individual PIRs submitted by Agencies, entered them into the GEF Database and created a separate PIR database to allow for analysis of ratings in order to gauge overall portfolio performance. A detailed discussion of findings, together with descriptive figures and charts, as well as a general GEF portfolio overview are provided in Annex 1.

13. Individual project implementation reports were also made available to interagency focal area task forces which reviewed the reports as well as focal area review reports prepared by each of the agencies and convened to discuss any trends, issues and recommendations regarding their respective portfolios. The Climate Change/ODS and Biodiversity Task Force meetings were held on December 14, 2005; the International Waters Task Force meeting was held on December 20, 2005; and the Multi-focal area/OP 12 Task Force meeting took place on January 11, 2006. Each focal area task force meeting produced a summary report which was submitted to the Secretariat and circulated to all Implementing and Executing Agencies. These focal area reports addressed issues related to the project review process and identified lessons and recommendations to improve project design. These reports can be found on http://thegef.org/results/results.html.

14. In addition to the individual project implementation reports and focal area review reports, each Implementing Agency prepared an overview report, presenting an overall analysis of portfolio performance, trends, elapsed time between processing steps and co-financing for each IA, based on project implementation reports, mid-term evaluations, completion reports and final evaluations. These reports were submitted to the Secretariat by January 2006. Abbreviated versions of these reports are presented in Annex 2, Annex 3, Annex 4. Full reports can be found on http://thegef.org/results/results.html.

15. In January 2006, the GEF Secretariat chaired an Inter-Agency Portfolio Performance Review meeting with the following two main objectives:

(a) To review performance of projects under implementation to prepare a report for the June 2006 Council meeting; and

(b) To discuss conceptual approach and collaborative arrangements to develop a Results Management Framework for the GEF – a proposal to be prepared for review by the GEF Council at its December 2006 meeting.[5]

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[4] The Tracking Tools were introduced at the start of GEF-3 to assist with portfolio level monitoring of Strategic Priorities One and Two and are to be submitted at three times in the life of the project: 1) with the project document for work program inclusion or CEO endorsement (CEO approval for MSPs); 2) Within 3 months of completion of the project's mid-term evaluation or report; and 3) With the project's terminal evaluation or final completion report, and no later than 6 months after project closure.

[5] A Draft policy recommendation currently under discussion in the fourth replenishment of the GEF Trust Fund directs the Secretariat, GEF Agencies and the GEF Evaluation Office to develop a common set of quantitative and qualitative indicators and tacking tools for each focal area to be used consistently in all projects with a view to facilitating aggregation of results at the country and program levels and assessment of GEF transformational impact.

The meeting was attended by 46 participants from the GEF Secretariat, GEF Evaluation Office, WB, UNDP, UNEP, UNIDO, FAO, IADB, IFC, and STAP.

16. Towards meeting the first objective, the findings of the overview reports prepared by the Implementing Agencies as well as the focal area task force reports were consolidated by the Secretariat, presented and discussed to identify key findings and recommendations.

17. Towards the second objective, the Secretariat focal area teams and interagency task forces made presentations and engaged in discussions regarding the progress achieved with regard to the development of performance indicators in the respective focal areas. The GEF Evaluation Office also made presentations on different approaches employed by GEF agencies to monitor project performance, and performance monitoring experience at the GEF to date, including the instruments that have been used (PIR, SMPR, APR, etc.), their limitations, existing gaps and lessons learned. In addition, the Results Secretariat of the World Bank made a presentation regarding on-going international efforts to harmonize results management practices across development banks, multilateral agencies and donor agencies, lead by OECD-DAC, and introduced the World Bank's approach towards results management.

KEY FINDINGS OF PPR 2005

18. The 2005 Project Implementation Review (PIR) included 392 ongoing full and medium sized projects that had been under implementation for at least one year by June 30, 2005. This number reflects the steadily growing portfolio of projects under implementation, from 135 projects in 1999.

19. The World Bank had the largest share of projects under implementation in FY 2005 with 42% of the portfolio, followed by UNDP with 38% and UNEP with 13%. Five percent of all projects were implemented jointly by multiple IAs while 2% of the portfolio involved various EAs (ADB, UNIDO, IADB, IFAD, EBRD).

20. The total amount of GEF funds allocated to full and medium-sized projects under implementation in FY 2005 was US$ 2,113 million (including PDF grants for these projects). The World Bank had the largest share with 56% of the total GEF funding, followed by UNDP with 28% and UNEP with 9%. Five percent of GEF allocation went to projects implemented jointly with multiple IAs while 2% of the funds were allocated to projects that involved EAs (ADB, UNIDO, IADB, IFAD, EBRD).

21. As in previous years, projects in the biodiversity focal area (BD) represented the greatest portion of the portfolio, at 42% with 164 projects. Together with biosafety projects, BD portfolio constituted 45% of the total.

22. An analysis of the data provided by the biodiversity tracking tools from the first three fiscal years of GEF-3 is provided below:

(a) Eight of the nine (89%) measurable coverage targets for Strategic Priorities One and Two for GEF-3 have already been achieved or exceeded.

(b) For Strategic Priority One (Catalyzing Sustainability of Protected Area Systems):

   (i) 26 countries have received support to strengthen their protected area systems (GEF-3 target was 15);
   (ii) 418 protected areas are currently being supported (GEF-3 target was 400);
   (iii) 13% of these protected areas are new additions (GEF-3 target was 20%); and
   (iv) 96 million hectares of protected areas are being supported (GEF-3 target was 70 million hectares).

(c) Africa received the majority of support during the first three years of GEF-3 when measured in terms of percent of the total coverage of hectares for Strategic Priority One (52%) and Strategic Priority Two (38%) as well as in terms of the number of protected areas that are receiving support under Strategic Priority One. Two hundred and forty five or 58% of the total number of protected areas supported by the GEF were located in Africa.

(d) Fourteen African countries, representing nearly one-third of the continent, have received support to strengthen their protected area systems.

(e) For Strategic Priority Two (Mainstreaming Biodiversity Conservation in Production Landscapes and Sectors), 81 total projects in the targeted sectors are focusing on mainstreaming biodiversity into the sector (GEF-3 target was 5 per sector or 20 total):

   (i) 25 projects in agriculture;
   (ii) 15 projects in fisheries;
   (iii) 16 projects in forestry; and
   (iv) 15 projects in tourism.

(f) In addition, 36 million hectares (GEF-3 target was 20 million) in production landscapes and seascapes are being supported under SP-2, and 30 countries (GEF-3 target was 5) are promoting conservation and sustainable use of wild species.

(g) Under Strategic Priority Three (Capacity Building in Biosafety), 126 countries have participated in the project "Development of National Biosafety Frameworks". As of June 2005, 40 countries had completed project activities and had posted their national biosafety frameworks on the UNEP-GEF website. In addition, 12 countries are completing demonstration projects for implementation of NBFs (8 with UNEP and 2 each with UNDP and WB). The project "Building Capacity for Effective Participation in the Biosafety Clearing House (BCH) of the Cartagena Protocol" for 139 eligible countries was approved in March 2004 and is under implementation.

23. In addition to the coverage information provided above, a complete analysis was conducted of the portfolio outcome data generated by the biodiversity tracking tools. This "outcome baseline", upon which portfolio progress will be measured, can be found in the Biodiversity Focal Area Report. (http://thegef.org/results/results.html) The GEF-3 project cohort will be tracked against this baseline throughout the course of individual project implementation to assess achievement of portfolio-level outcomes of the cohort.

24. Climate change (CC) was the second largest focal area in the 2005 PIR, with 127 active projects, or 32% of the total. At 14% of the portfolio, there was an increase in the number of projects for international waters (IW) during FY05. The remaining focal areas, ozone depletion, multi-focal/OP12, persistent organic pollutants, and land degradation accounted for 10% of the 2005 PIR.

25. In FY 2005, 24% of GEF projects were being implemented in the Latin America and the Caribbean region, followed by 20% in Europe and Central Asia. Projects in both Africa and East Asia Pacific constituted 18% of the portfolio each while South Asia had the least number of projects, with 3% of the total.

26. Based on project implementation reports, the overall finding from the 2005 PIR is that the GEF portfolio under implementation was performing satisfactorily across all focal areas in FY 2005. As outlined in Annex 1, GEF agencies have reported that the majority of the projects under implementation in FY 2005 were performing well, with 63% of the portfolio rated satisfactory, 10% highly satisfactory and 15% marginally satisfactory in terms of implementation progress. In terms of progress towards achieving development/global environmental objectives, 62% of the portfolio was rated satisfactory, 12% highly satisfactory and 15% marginally satisfactory. In both cases, about 6% of the projects were not rated.

CHALLENGES

27. The Portfolio Performance Review exercise revealed a number of challenges in the area of portfolio performance monitoring.

Indicator Development

28. While the use of project-level indicators have improved over the years, the identification and use of appropriate indicators at the portfolio level and issues related to attribution still present a challenge. Ability to roll up indicators from the individual project level to the portfolio level and to track overall portfolio performance remains uneven across the GEF focal areas.

29. Over the years, GEF Focal Area Task Forces have been making substantial progress to define core focal area indicators and to develop tracking tools to improve the quality of M&E arrangements. However, the following challenges remain:

Biodiversity Focal Area

30. The Biodiversity Focal Area task force has developed a tracking tool to monitor performance of the projects of ‘Catalyzing Sustainability of Protected Areas (Strategic Priority

One);' and, 'Mainstreaming Biodiversity in Production Landscapes and Sectors (Strategic Priority Two)' on programmatic indicators.

31. For Strategic Priority One, monitoring protected area management effectiveness has been identified as a useful outcome indicator at the project level that is easily rolled up to the portfolio level. Going forward with its use, it will be important to assess its value in providing relevant information on management effectiveness for protected area systems.

32. For Strategic Priority Two, the portfolio level indicators are quite diverse and reflect the portfolio's wide-ranging interventions in spatial, sectoral, institutional, and market mainstreaming. Portfolio level indicators include the coverage of biodiversity-friendly management practices, hectares under product certification systems, degree of market transformation, and improvements in the enabling environment. In order to address the difficulty this diversity is posing for aggregation at the portfolio level, it may be necessary to examine sub-portfolios or clusters of projects under this strategic priority in order to better roll up and assess portfolio outcomes.

33. As also noted in APR 2005, the Biodiversity Focal Area Task Force is investigating ways to address the M&E concerns related to 'capacity building for the implementation of Cartagena Protocol on Biosafety (Strategic Priority Three)' and 'generation and dissemination of best practices for addressing current and emerging biodiversity issues (Strategic Priority Four),' where, due to the inherent nature of the projects, designing good and cost effective M&E plans is difficult. The Biosafety Strategy to be discussed at the June 2006 GEF Council contains proposed portfolio and project level indicators for Strategic Priority Three, underlining the challenge of aggregation and monitoring for results at the portfolio level.

Climate Change Focal Area

34. The Climate Change Focal Area Task Force has made some strides in identifying appropriate indicators for portfolio/program level performance, following the publication of the "Measuring results from CC Programs" (2000). However, the inclusion and tracking of these indicators at the project level have not been systematic. There remains considerable scope for improvement in the provision of adequate baseline information, the methodology for making baseline estimates, and the specification of "smart" indicators for each desired outcome.

35. As also noted in APR 2005, the Climate Change Focal Area Task Force is currently working to standardize programmatic and portfolio level indicators so that projects of each strategic priority in the focal area will have a uniform set of indicators. It is proposed that for the period of GEF 4, all projects must use the relevant indicators for the Strategic Objective which they are addressing.

International Waters Focal Area

36. Progress is being made in the International Waters Focal Area in developing portfolio level process and stress reduction indicators and in addressing difficulties of establishing baseline environmental status of targeted water bodies. The International Waters Focal Area Task Force collaborated with the GEF Monitoring and Evaluation Unit to issue project-level indicator guidance in 2002 in GEF Monitoring and Evaluation Paper # 10. This guidance was

needed so that projects could be designed with similar indicators that could be rolled up to serve in monitoring portfolio performance. During 2005, the Task Force developed an initial results framework and tracking tool for clusters of projects and reported its work at the Inter-Agency Portfolio Performance Review meeting in January 2006. In response to concerns that this framework may create a burden on projects for annual reporting, it is currently being simplified and a new template is being developed to support effective use of the tracking tool in annual reporting.

37. In order to prepare for scaling up on-the-ground action in the Focal Area as recommended by OPS3, the modality of a Strategic Partnership Investment Fund is being tested in a number of regions. Results frameworks and indicators for such Investment Funds are under development in cooperation with the GEF Evaluation Office using nutrient water pollution reduction in the Danube/Black Sea Basin as an example.

38. The Task Force is also working on the development of surrogate indicators and methodologies for making projections for replication potential of GEF funded demonstration projects. This work aims to address the long time-span required to achieve environmental changes in transboundary waters, typically exceeding the duration of GEF projects. Given the nature of the environmental concerns addressed, measurable results at a larger scale might take several decades to achieve while typical GEF interventions last five to ten years. The long-term GEF presence needed to achieve results is being tested with the series of Partnership Investment Funds that extend up to one decade and leverage sufficiently large resources necessary to produce measurable results in complex transboundary water systems.

39. Finally, the inadequately addressed subject of groundwater poses a challenge, and additional indicator work is underway with the GEF Evaluation Office on this topic.

Land Degradation Focal Area

40. This focal area was established only three years ago and is in the process of developing indicators as part of its overall knowledge management strategy. The Council has also asked for a clearer definition of the global benefits that this focal area will generate. In response, as also stated in APR 2005, the Land Degradation Focal Area Task Force, in collaboration with the GEF Evaluation Office, is developing a framework to identify results indicators on the basis of specific global environmental benefits. STAP has been requested to assist with three relevant studies (global benefits, operationalizing the MA approach for land degradation, and the issue of tradeoffs). The Task Force will develop standardized programmatic and portfolio level indicators so that projects of each strategic priority in the focal area will have a uniform set of indicators. Efforts in this focal area also seek to identify best practices and tools of analysis that can be applied beyond GEF projects, especially for country programmatic partnerships (CPPs).

41. The main challenge faced by the focal area is the fact that the environmental concerns addressed are generally a result of natural resource management practices that have taken place over long periods of time and are highly sensitive to political and social issues. As the APR 2005 also indicates, the Land Degradation Task Force is collaborating with the UN University to develop a framework to track results of sustainable land management activities. This framework

will serve as a basis for the subsequent development of GEF specific indicators for the Land Degradation Focal Area.

Multi-Focal Area/OP 12 (Integrated Ecosystem Management)

42. OP 12 was initially (1999) conceived as an operational program on carbon sequestration but was later (2000) changed to its current title "integrated ecosystem management" reflecting an integrated and multi-focal area approach to the management of natural systems. OP 12 projects are intended to be multi-focal, dealing with two or more GEF focal areas, and synergistic, where achievement of benefits in one focal area leads to increased benefits in another. Two of the most crucial weaknesses of this young focal area are lack of guidance for project development and the absence of an indicator system that duly reflects the thrust of OP12. So far, there has been no indicator framework for Multi Focal Area/OP 12 projects and the portfolio. Hence, there is no standard set of indicators at project and program level that would allow comparing projects or monitoring the performance of the portfolio.

43. In the past, the close link between Multi Focal Area /OP 12 and Land Degradation Focal Area has often been raised in discussions in the GEF Council and the GEF family. There is an inter-agency working group on indicators for the Land Degradation Focal Area that is in the process of developing a standard set of indicators at the project and program levels. Since the agreed indicator framework is universal for natural resources based interventions (it uses the landscape approach that integrates the ecosystem approach), it might be feasible to apply and, if necessary adapt, the framework to the Multi Focal Area/OP12 and develop a standard menu of indicators for Multi Focal Area/OP 12 projects, taking into account the indicators developed by the focal areas biodiversity, international waters, persistent organic pollutants and land degradation (desertification and deforestation). In addition, indicators need be developed that reflect the synergetic character of Multi Focal Area/OP12 projects and the minimization of trade-offs between local livelihood-oriented and global environmental benefits. The latter one is a crucial element of the Land Degradation Focal Area portfolio and its projects.

Persistent Organic Pollutants (POPs)

44. As of December 15 2005, National Implementation Plans for the Stockholm Convention were being funded by the GEF as enabling activities in 126 countries. In addition, there were also 14 medium-size and full-size POPs projects that were approved by the GEF Council, for a total GEF allocation of US$ 104 million.

45. As the POPs Focal Area grows and shifts from the enabling phase to the implementation phase, the POPs Focal Area Task Force will continue its work on the development of project and program indicators and to finalise the POPs tracking tool, taking into account future developments, in particular at the 2nd session of the COP to the Stockholm Convention.

Ozone Depletion (ODS)

46. The ODS portfolio under review included a total of 10 projects with a combined GEF contribution of about US$ 48.5 million. In general, the use of programmatic indicators across the clusters within this small portfolio has been poor. Comparability and measuring the progress of programming will require consistent use of programmatic indicators in the future. To address

this issues, the ODS Focal Area Task Force aims to work together with other focal areas to develop indicators and implement results-based monitoring, focusing on outputs, outcomes, and impacts.

Monitoring Performance

47. In monitoring performance, there is great variety in definitions, tools, content, formats, procedures, data collection methods, indicators, targets and objectives, quality of baselines, etc. utilized by agencies. Consequently, there is a need for harmonization or standardization across the agencies to ensure more coherent aggregation of findings at the GEF corporate level

48. Most monitoring activities of GEF's Implementing and Executing Agencies, including annual performance ratings, are carried out by local project staff or agency program managers. While this can ensure optimal feedback of lessons learned from project to program level, it is a form of self-assessment and may bias reporting towards subjective and sometimes overly-optimistic ratings.

Risk Management Systems

49. In terms of the project ratings used in the PIRs, statistics regarding projects-at-risk in the risk management systems of the Agencies may provide more reliable information. In recent years, progress has been made by GEF's Implementing Agencies in developing and implementing such systems.

50. The project at risk system that is being implemented by the Work Bank was intended to overcome the shortcomings of the self rating system. Experience at the World Bank shows that Implementation Progress and Development/Global Environment Objective ratings have tended to be over-optimistic when compared to ratings that projects are given by the Operations Evaluation Department upon completion. To address this deficiency, the World Bank introduced in FY96 the concept of projects at risk as the basic measure of portfolio performance. This is reflected in the Bank's PIR overview report (Annex 2).

51. Similarly, UNDP's Risk Management System contributes to achieving results and impacts by allowing systematic and early project risk identification and analysis, and by facilitating risk monitoring, and improving adaptive management. Risk management is conducted through the life of a project using the Risk Module in ATLAS, UNDP's corporate enterprise resource platform for project financial management. A discussion of how this system operates is provided in UNDP's PIR overview report (Annex 3).

52. UNEP also employs a risk management system which allows the identification of major internal and external risks and provides a tool for action so that projects at risk are given early and specific attention and that corrective action can take place before such projects experience serious crisis (Annex 4).

TOWARDS A GEF RESULTS-MANAGEMENT FRAMEWORK

53. While the issue of project level indicators in the context of project monitoring and evaluation systems has been sufficiently dealt with, and considerable progress has been achieved in some focal areas in developing portfolio level indicators, further work, both at a conceptual and empirical level, needs to be undertaken. Towards this objective, the policy recommendations currently under discussion in the fourth replenishment negotiations of the GEF provides support towards developing a Results Management Framework for the GEF.

54. In response to the challenges faced, there was consensus at the 2005 GEF Inter-Agency Portfolio Performance Review (2005 PPR) meeting to rethink and reconceptualize the portfolio performance review exercise as part of the larger effort to develop a comprehensive Results Management Framework for the GEF to be implemented for GEF-4, incorporating monitoring and reporting at three levels: (i) corporate level; (ii) programmatic (focal area) level; and (iii) project-level.

55. Among other things, this framework is intended to address:

(a) Progress towards/achievement of GEF replenishment targets;

(b) Outcomes achieved by projects that have completed implementation;

(c) Issues associated with implementation of the portfolio; and

(d) Quality-at-entry of project proposals.

56. In undertaking this task, it was agreed that there is need to build on results management frameworks, including projects-at-risk systems, currently in place or under development in GEF Agencies. There were several suggestions that included:

(a) exploring ways to connect the framework of the GEF replenishment programming document more explicitly to monitoring systems;

(b) revisiting the content, format and process associated with the annual project implementation reports;

(c) including GEF Secretariat staff as part of the agency project supervision/mid-term review missions;

(d) clarification and provision of guidelines for M&E systems in project design;

(e) development and/or refinement of indicators at the initially proposed three levels of the Results Management Framework;

(f) employment of complementary monitoring instruments such as targeted reviews and beneficiary surveys; and

(g) consideration of the implications of the RAF in developing a GEF Results Management Framework.

NEXT STEPS

57. In order to be able to collectively address the above issues, an *Inter-Agency Working Group on Results-Management*, chaired by the Secretariat and comprised of representatives from the Implementing and Executing Agencies, and STAP has been established.[6] This Group will develop an overall GEF Results Management Framework for review by the Council at its December 2006 meeting. The Focal Area Task Forces will continue their work to develop and improve their respective indicators and tracking tools in congruence with the development of the framework. The annual PPR exercise will also be reconceptualized as part of the larger effort to develop a comprehensive GEF Results Management Framework, to be implemented for GEF-4.

58. To support this process, a request is being made for a *Special Initiative for Results Management* in the FY07 Corporate Budget. This activity would be in line with the on-going efforts to develop an overall GEF Results Management Framework.

[6] The GEF Evaluation Office has offered to provide advice to the group.

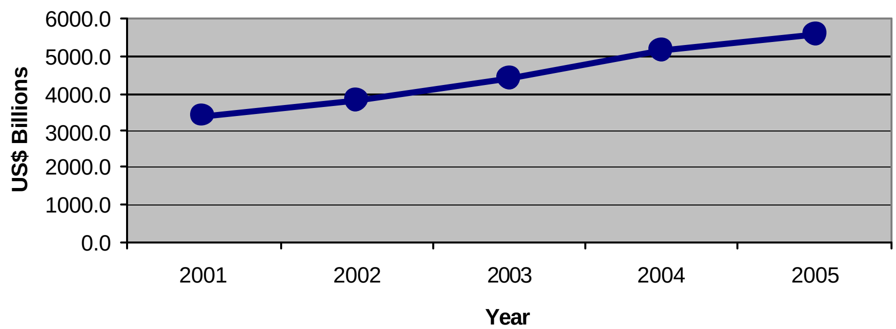
GEF PORTFOLIO REVIEW FOR FY 2005

1. This document provides an overview of the GEF Portfolio and projects under implementation as of June 30, 2005. The source of information, regarding the GEF Portfolio, was compiled and submitted by the Operations and Strategy Team of the GEF Secretariat. The statistics regarding the overall GEF portfolio was supplied by the GEF Database. The information about projects under implementation in FY 2005 was taken from individual project implementation reports as well as agency overview reports, submitted by the implementing and executing agencies.

Overall GEF Portfolio

2. As of June 30, 2005, $5,588 million of GEF funds had been allocated to a total of 1,697 projects in approved GEF work programs, representing an increase of 9% over total GEF allocations of $5,126 million as of June 30, 2004. This increase in allocations was in line with the upward trend of the previous years. (Figure 1)

Figure 1.
Cumulative GEF Resources Allocation
(As June 30, 2005)



3. Of the 1,697 projects, 945 were full and medium-sized projects, compared to 826 projects by June 30, 2004, representing an increase of about 14 %. The total GEF funding that was allocated for these projects was $5,275 million. Of these projects, 397 were implemented by the World Bank, 362 by the United Nations Development Program (UNDP), 114 by the United Nations Environment Program (UNEP), 11 by Executing Agencies (ADB, IADB, IFAD, and UNIDO) and 60 by multiple IAs.

4. Additionally, 752 enabling activity (EA) projects for a total of US$313 million had been approved as of June 30, 2005. Of these enabling activities 484 were implemented by UNDP, 187 by UNEP, 38 by the World Bank, 38 by UNIDO and 5 by multiple IAs (Table 1).

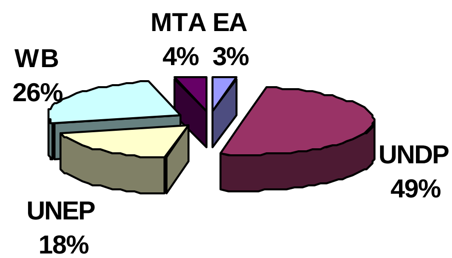
Table 1. GEF Project Allocations by Implementing and Executing Agencies (as of June 30, 2005)

	FSPs		MSPs		EAs		Totals	
Agency	Project Count	GEF Grant	Project Count	GEF Grant	Project Count	GEF Grant	Project Count	GEF Grant
World Bank	293	2813	104	84	38	9	435	2905
UNDP	250	1436	112	95	484	127	846	1658
UNEP	47	255	67	51	187	92	301	398
ADB	4	35	3	2	0	0	7	38
UNIDO	0	0	0	0	38	21	38	21
IADB	2	7	0	0	0	0	2	7
IFAD	2	12	0	0	0	0	2	12
Multiple IAs	54	477	6	5	5	64	65	546
GEFSEC	1	3	0	0	0	0	1	3
Total	653	5038	292	237	752	313	1697	5588

Note: All grant amounts are in millions of US dollars

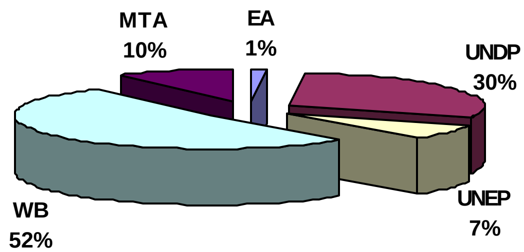
5. In terms of number of projects, as shown in Figure 1, 26% of all GEF projects were implemented by the World Bank, 49% by UNDP, and 18% UNEP, while 4% of projects had more than one implementing agency. Executing Agencies accounted for 3% of the portfolio.

Figure 1.
Percentage of Number of Projects by Implementing Agency (As of June 30, 3005)



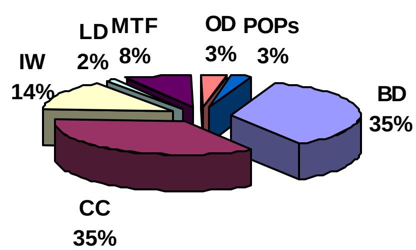
6. Figure 2 shows the funding distribution among IAs: 52% was allocated to Bank projects, 30% to UNDP projects, 7% to UNEP projects, and 10% to projects with multiple IAs. Allocations to EAs constituted only 1% of the total GEF funding.

Figure 2.
Percentage of Total GEF Funding by Implementing Agency (As June 30, 2005)



7. The distribution of GEF allocations for full and medium-sized projects in the portfolio as of June 30, 2005, among focal areas were: 35% to biodiversity, 35% to climate change, 14% to international waters, 3% to ozone, 8% to projects with multiple focal areas, and 2% to persistent organic pollutants. During 2005, sustainable land management represented 2% of the GEF allocation in the portfolio (Figure 3).

Figure 3.
Distribution of GEF Allocations by Focal Area
(As June 30, 2005)



8. The breakdown of GEF allocations by focal area was as follows (Table 2):.

Table 2. GEF Project Allocations by Focal Area (as June 30, 2005)

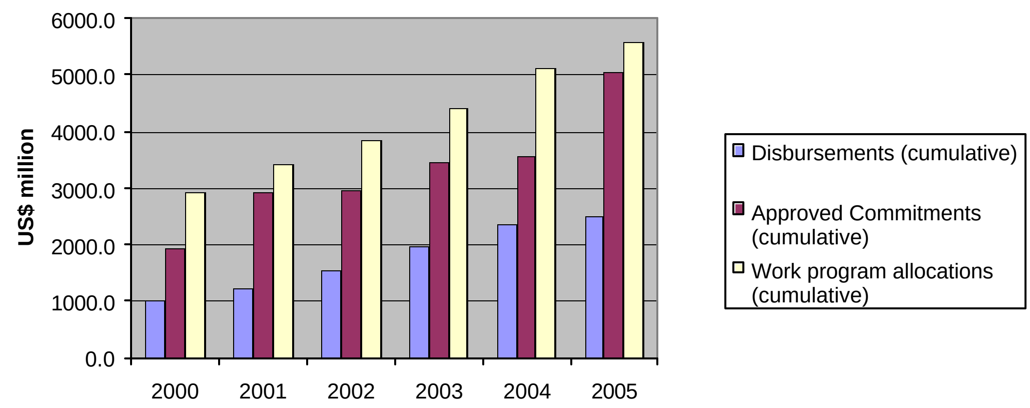
	FSPs		MSPs		EAs		Totals	
Focal Area	**Project Count**	**GEF Grant**	**Project Count**	**GEF Grant**	**Project Count**	**GEF Grant**	**Project Count**	**GEF Grant**
Biodiversity	268	1767	165	135	290	92	723	1994
Climate Change	215	1748	61	48	228	144	504	1941
International Waters	88	761	18	16	0	0	106	777
Land Degradation	9	80	11	10	0	0	20	91
Multi-focal Areas	45	418	27	21	123	24	195	464
Ozone Depletion	20	176	5	3	0	0	25	179
Persistent Organic Pollutants	8	88	5	3	111	52	124	143
Totals	653	5038	292	237	752	313	1697	5588
Note: All grant amounts are in millions of US dollars								

Approved Commitments and Project Disbursements for Implementing Agencies

9. Figure 4 shows GEF allocations, commitments, and disbursements for Implementing Agencies (World Bank, UNDP and UNEP) as of June 30, 2005. The cumulative work program allocation for Implementing Agencies from the start of the GEF was US$5,548 billion. During FY 2005, 69 full-sized projects (FSP), 47 medium-sized projects (MSP) and 44 enabling activities were approved totaling $592.26 million in GEF funds. Cumulative disbursement for Implementing Agencies increased during FY 2005 to $2,494 billion, up from $2,355 billion in FY 2004.

10. The gap between approved commitments and actual disbursements was 57% in 2001 but has been decreasing since then; it dropped to 33 % in 2004 and has since then increase to around 50 % in 2005 (Figure 4).

Figure 4. Cumulative GEF Portfolio Allocation, Commitments and Disbursements (for Implementing Agencies) 2000-2005

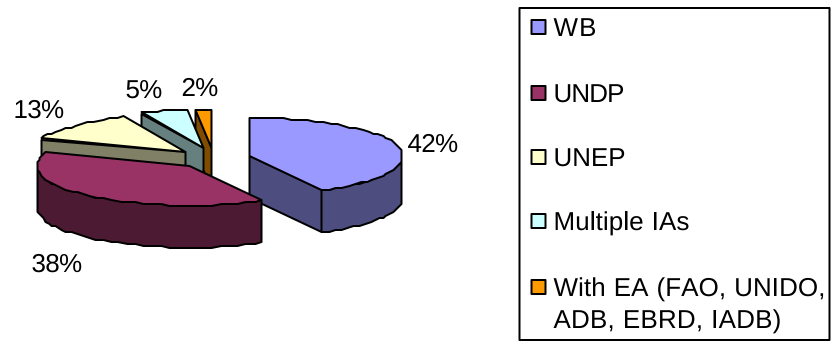


Overview of Projects Covered in the Project Implementation Review 2005

11. The 2005 Project Implementation Review (PIR) included 392 ongoing full and medium sized projects that had been under implementation for at least one year by June 30, 2005. This number reflects the steadily growing portfolio of projects under implementation, from 135 projects in 1999.

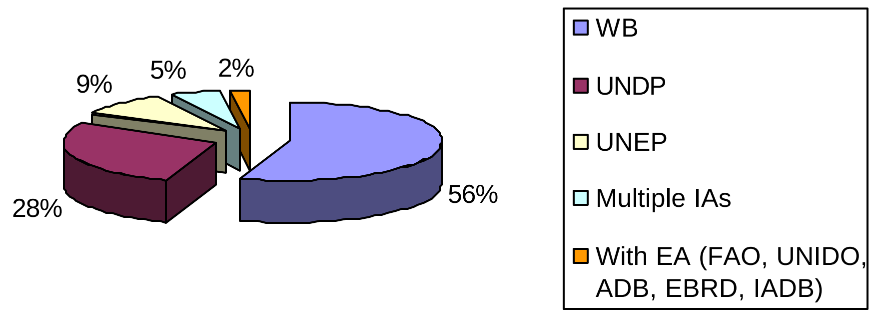
12. The World Bank had the largest share of projects under implementation in FY 2005 with 42% of the portfolio, followed by UNDP followed with 38% and UNEP with 13%. Five percent of all projects were implemented jointly by multiple implementing agencies while 2% of the portfolio involved various executing agencies. (Figure 5)

Figure 5. GEF Projects Under Implementation in FY 2005 by Agency

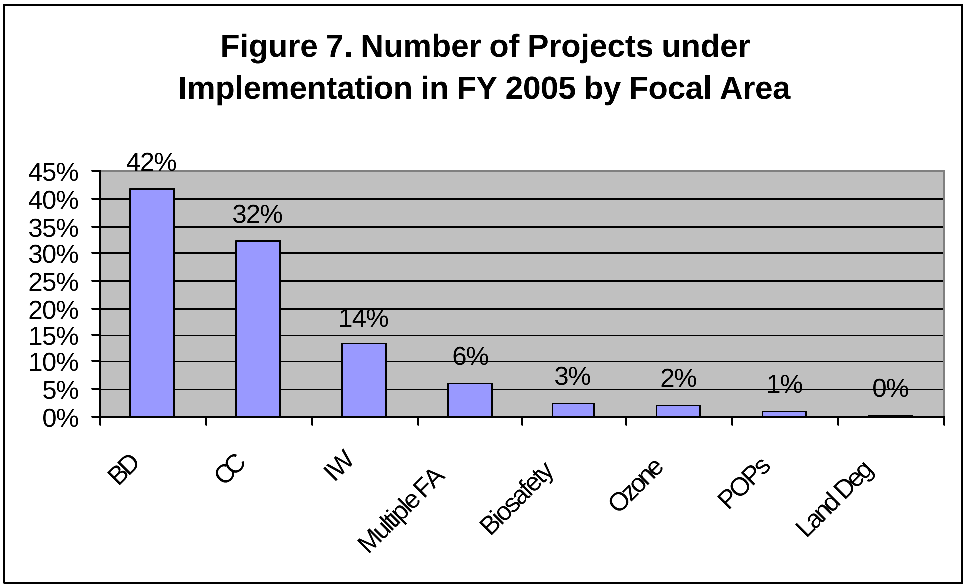


13. The total amount of GEF funds allocated to full and medium sized projects under implementation in FY 2005 was $2,113 million (including PDF grants). The World Bank had the largest share with 56% of the total GEF funding, followed by UNDP with 28% and UNEP with 9%. Five percent of GEF allocation went to projects implemented jointly with multiple implementing agencies while 2% of the funds were allocated to projects that involved executing agencies.

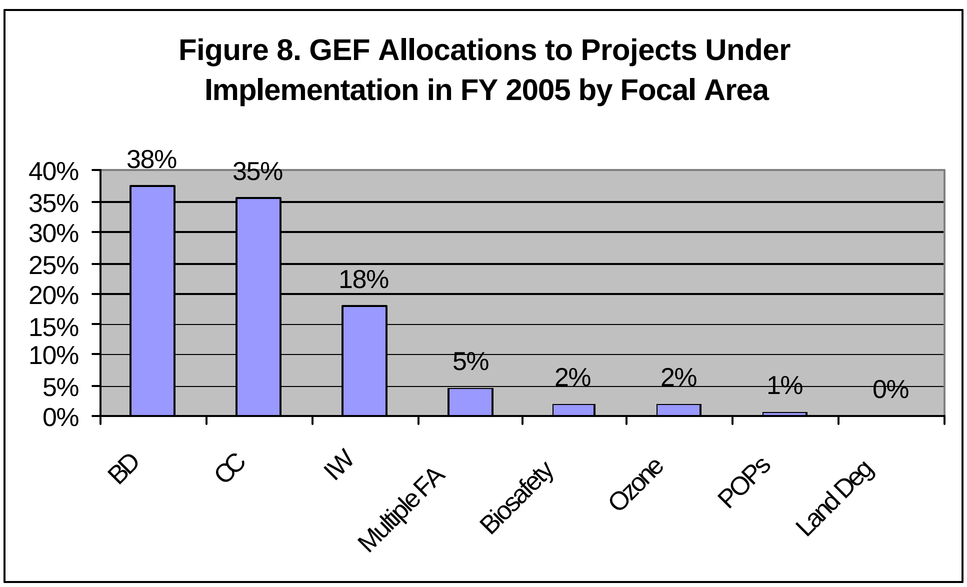
Figure 6. GEF Allocations for Projects Under Implementation in FY 2005 by Agency



14. As in previous years, projects in the biodiversity focal area (BD) represented the greatest portion of the portfolio, at 42% with 164 projects. Together with biosafety projects, BD portfolio constituted 45% of the total. Climate change (CC) was the second largest focal area in the 2005 PIR, with 127 active projects, or 32% of the total. At 14% of the portfolio, there was an increase in the number of projects for international waters (IW) during FY05. The remaining focal areas, ozone depletion, multi-focal, persistent organic pollutants, and land degradation accounted for 10% of the 2005 PIR.

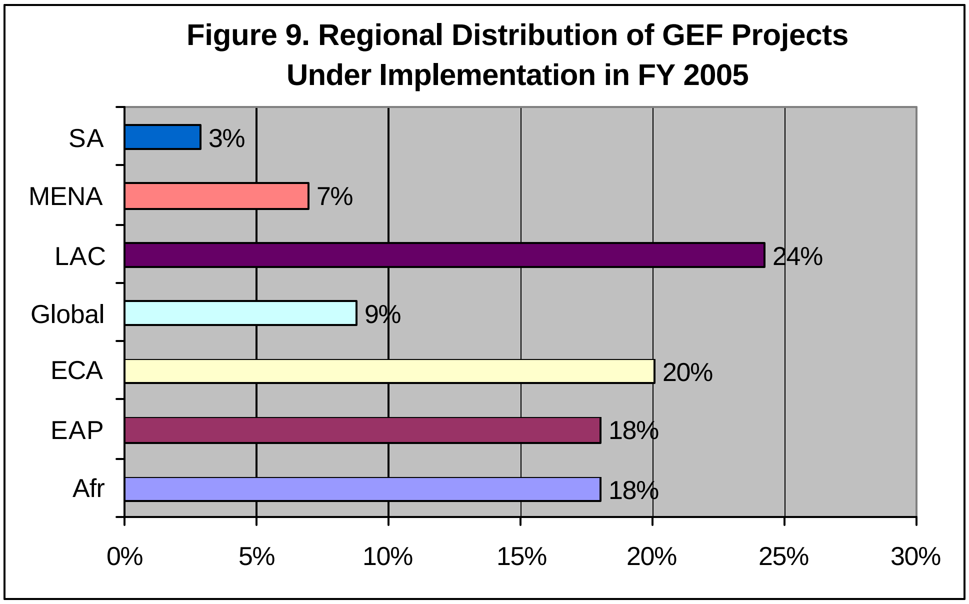


15. In terms of GEF allocations, the largest share of funds went to the BD focal area with 38% of the total. Together with allocations to biosafety projects, the BD portfolio under implementation in FY 2005 received 40% of the GEF funds.



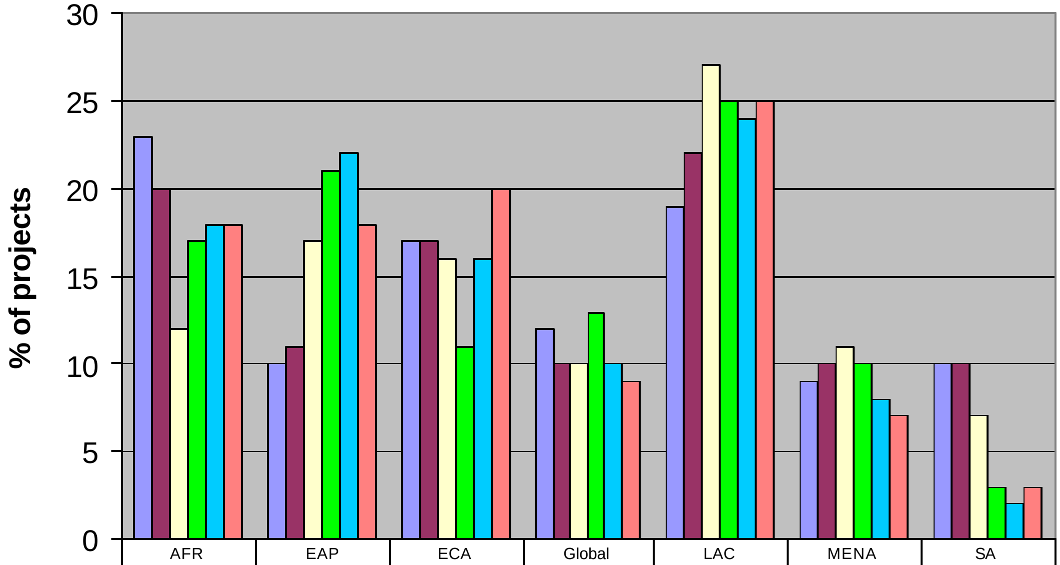
16. In FY 2005, 24% of GEF projects were being implemented in the Latin America and the Caribbean region, followed by 20% in Europe and Central Asia. Projects in both

Africa and East Asia Pacific constituted 18% of the portfolio each while South Asia had the least number of projects, with 3% of the total.



17. Figure 10 presents a comparison with previous years. According to this figure, both the MENA and the SA regions have experienced a decline in the number GEF projects under implementation over the last five years.

Figure 10. Geographical Distribution of Projects Under Implementation



	AFR	EAP	ECA	Global	LAC	MENA	SA
2000	23	10	17	12	19	9	10
2001	20	11	17	10	22	10	10
2002	12	17	16	10	27	11	7
2003	17	21	11	13	25	10	3
2004	18	22	16	10	24	8	2
2005	18	18	20	9	25	7	3

PIR Ratings

18. The PIR is a monitoring tool that relies on each IA and EA to report on and rate project performance. Every year, the IAs and EAs rate their projects under implementation according to two criteria: implementation progress and progress towards attaining development/global environmental objectives. Six ratings are used by agencies: Highly Satisfactory (HS), Satisfactory (S), Marginally Satisfactory (MS), Marginally Unsatisfactory (MS), Unsatisfactory (U) and Highly Unsatisfactory (US). Figures 11 and 12 below provide the PIR 2005 agency ratings for implementation progress and progress towards achieving development/global environment objectives respectively.

19. As Figures 11 and 12 demonstrate, GEF agencies have reported that the majority of the projects under implementation in FY 2005 were performing well, with 63% of the portfolio rated satisfactory, 10% highly satisfactory and 15% marginally satisfactory in terms of implementation progress. In terms of progress towards achieving development/global environmental objectives, 62% of the portfolio is rated satisfactory, 12% highly satisfactory and 15% marginally satisfactory. In both cases, about 6% of the projects were not rated.

Figure 11. PIR 2005 Agency Ratings on Implementation Progress (392 projects)

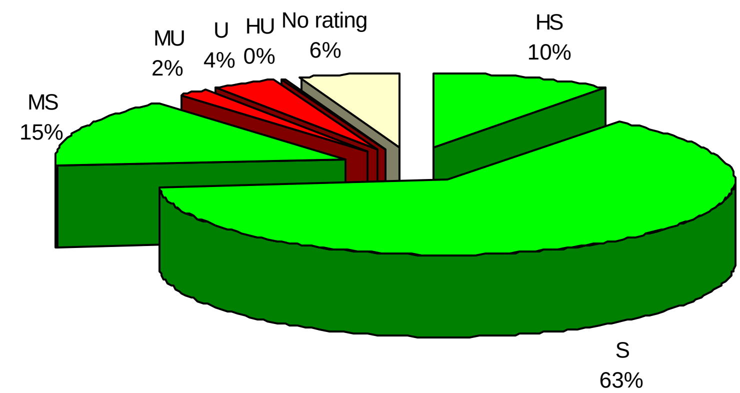
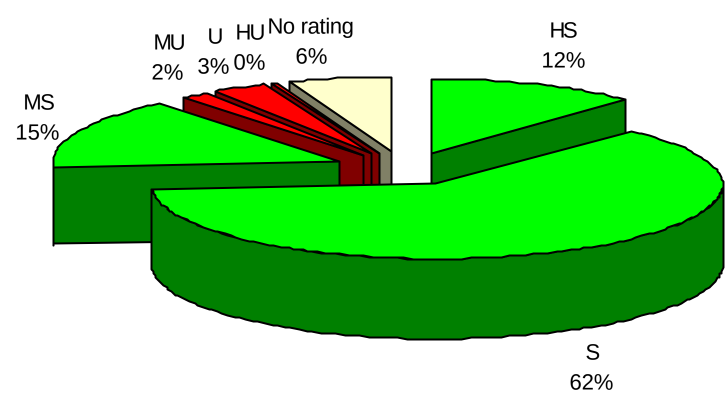


Figure 12. PIR 2005 Agency Ratings on Progress towards Development/Global Environmental Objectives (392 projects)



20. In FY 2005, there were 258 Full sized projects under implementation. As Figures 13 and 14 demonstrate, GEF agencies have reported that the majority of the full-sized projects under implementation in FY 2005 were performing well, with 66% of the portfolio rated satisfactory, 9% highly satisfactory and 15% marginally satisfactory in terms of implementation progress. In terms of progress towards achieving development/global environmental objectives, 64% of the portfolio is rated satisfactory, 10% highly satisfactory and 17% marginally satisfactory. In both cases, about 5% of the projects were not rated.

Figure 13. PIR 2005 Agency Ratings on Implementation Progress (258 Full-sized projects)

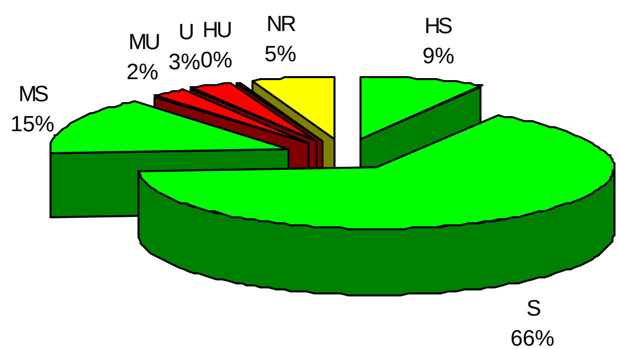
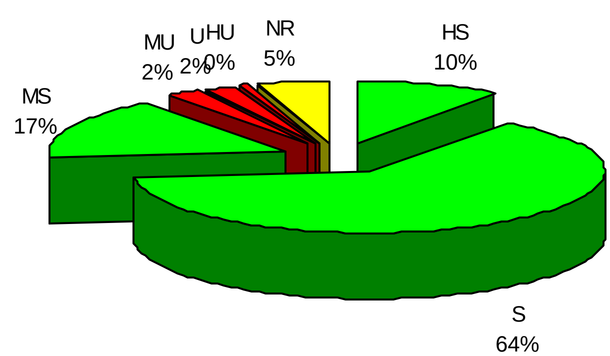


Figure 14. PIR 2005 Agency Ratings on Progress Towards Development/Global Environmental Objectives (258 Full-sized projects)



21. In FY 2005, there were 134 medium sized projects (MSPs) under implementation. As Figures 15 and 16 demonstrate, GEF agencies have reported that the majority of the medium sized projects under implementation in FY 2005 were performing well, with 60% of the portfolio rated satisfactory, 13% highly satisfactory and 16% marginally satisfactory in terms of implementation progress. In terms of progress towards achieving development/global environmental objectives, 60% of the portfolio is rated satisfactory, 16% highly satisfactory and 12% marginally satisfactory.

Figure 15. PIR 2005 Agency Ratings on Implementation Progress (134 MSPs)

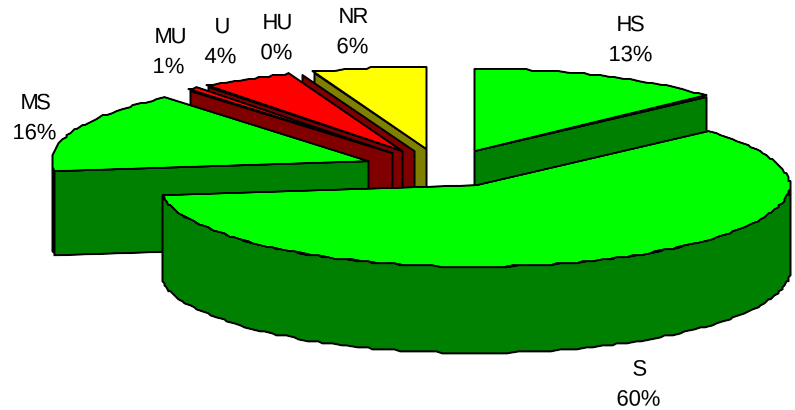
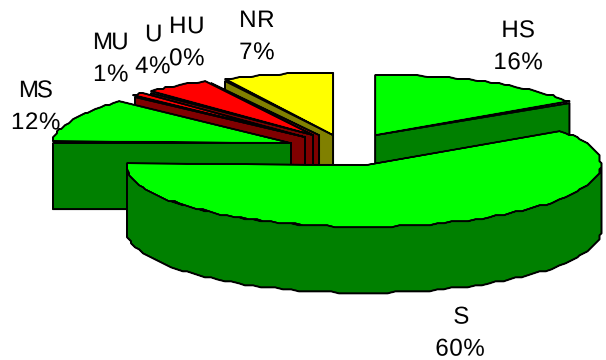


Figure 16. PIR 2005 Agency Ratings on Progress Towards Development/Global Environmental Objectives (134 MSPs)



United Nations Development Programme

Global Environment Facility

Project Implementation Review 2005

Summary Overview Report

27 December 2005

Introduction

1. The annual GEF Project Implementation Review (PIR) complements the regular UNDP Monitoring and Evaluation procedures employed during project implementation.

2. The PIR covers only a subset of the UNDP/GEF's portfolio. According to the PIR selection criteria individual project information was collected for all full and medium-sized projects under implementation for a minimum of one year, as of 30 June 2005. This also includes the GEF National Dialogue Initiative (NCDI) that aims to strengthen country ownership and involvement in GEF co-financed activities through a multi-stakeholder dialogue process. Projects that were operationally completed before June 30, 2004, were not included in this year's review.

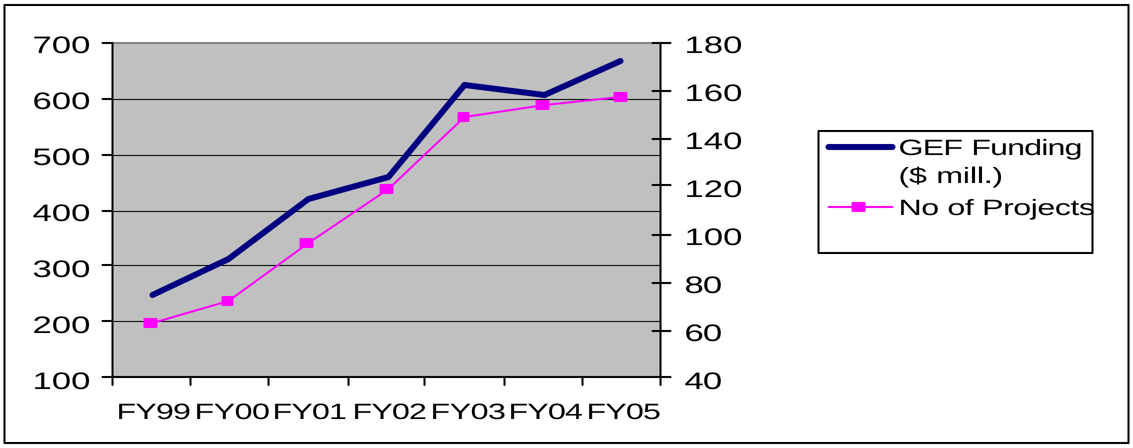
3. In addition to reporting on the general performance of GEF projects, implementation progress and impact achievements, the PIR overview report – now in its ninth year – has been restructured to better inform the discussions between the GEF Secretariat and the Agencies within the Focal Area Taskforces as part of the overall Portfolio Performance Review (PPR). This summary report provides a brief, portfolio-wide overview. The complete UNDP FY 05 PIR Overview Report, including focal area analyses, is available at http://thegef.org/results/results.html.

Portfolio Overview

UNDP GEF PIR 2005 PORTFOLIO

4. UNDP GEF PIR portfolio in 2005 comprises 159 projects receiving a total GEF allocation of US$ 667.4 million. The annual Project Implementation Review has seen a steady increase in the number of projects for which monitoring information needs to be collected, analyzed and consolidated. In particular, from FY 00 to FY 03 the PIR portfolio grew dramatically, doubling in size from 72 projects to 149. Over the last two years the number of PIR projects has stabilized slightly above 150.

5. GEF funding has followed a similar pattern of growth. Last year's minor decline is explained by an increased share of medium-sized projects in the PIR portfolio.

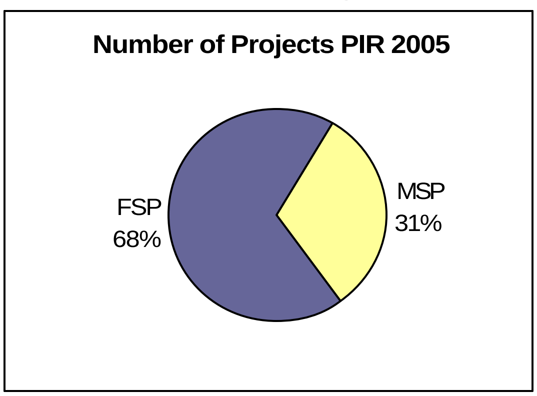


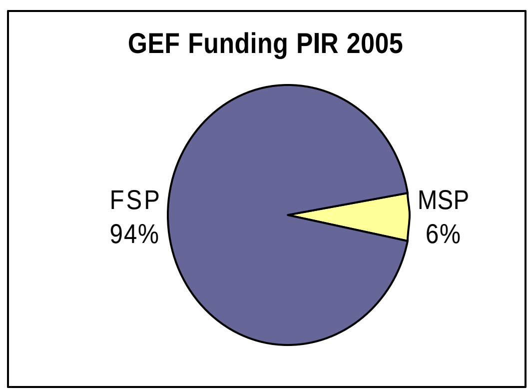
PROJECT SIZE

6. Out of the total 159 PIR projects, 109 are full sized projects (FSP) receiving GEF funding of $ 1 million or above and 50 are medium sized projects (MSP), with GEF funding below $ 1 million. The average size of GEF funding for a FSP is 5.8 million. The average size for a MSP is 0.8 million.

7. The vast majority of GEF resources (94 %) continue to be delivered through Full-Sized projects. While medium sized projects represent more than one third of the total number of PIR 05 projects they concentrate less than one fifteenth (6 %) of the total GEF funding.

Figure 1. Distribution by project size.





8. Compared to last year PIR the MSP share of the portfolio has decreased both in number of projects (31% down from to 37% in the last FY) and GEF funding (6% down from 9% in the last FY).

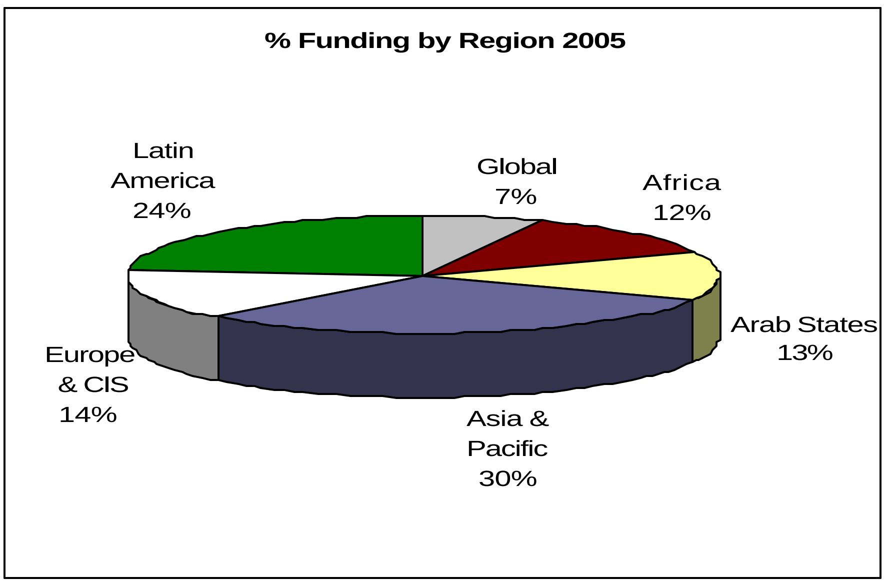
REGIONAL DISTRIBUTION

9. The Asia & Pacific region concentrates the largest share of GEF allocations (30% of GEF funding) followed by Latin America and the Caribbean (24%). The remaining 50% is distributed rather evenly among the rest of the regions.

Table 1: PIR 05 Project Portfolio by Region

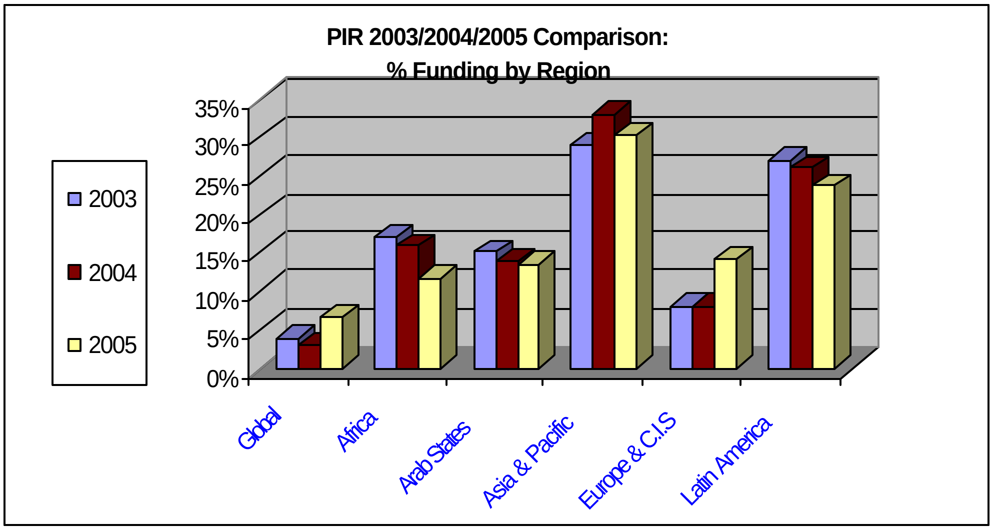
Portfolio by Region	GEF Funding (US $ millions)	Percentage of Total Funding	Number of Projects	Percentage of all Projects
Global	44.8	7%	5	3%
Africa	79.0	12%	24	14%
Arab States	89.8	13%	24	15%
Asia & Pacific	201.4	30%	42	27%
Europe and CIS	94.8	14%	32	20%
Latin America	157.4	24%	32	20%
GRAND TOTAL	667.4	100%	159	100%

Figure 2: Regional Distribution of GEF Funding.



10. The historical distribution of GEF resources among regions has presented relatively small variations. However, the two largest recipients of GEF funding (Asia Pacific and Latin America) are losing ground and now together account for 50% of the resources, down from 58% last year. Europe and the CIS has increased its share considerably from 8% to 14% in FY05 and for the first time has surpassed Africa and Arab States in its share of GEF resources.

Figure 3: Evolution of Regional Distribution of GEF Funding.



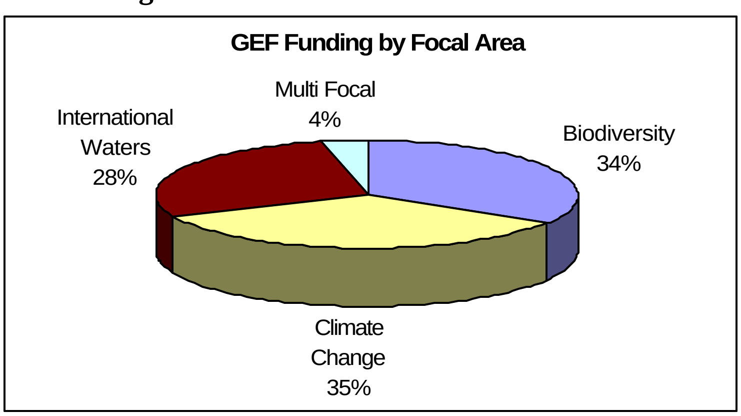
FOCAL AREA DISTRIBUTION

11. The largest number of projects falls either under the Biodiversity or Climate Change Area. Together they account for 85% of the number of projects in PIR 05. When it comes to funding, the distribution of GEF resources among Focal Areas is relatively more even, with IW receiving slightly below one third of the total GEF funding.

Table 2: PIR 04 Project Portfolio by Focal Area

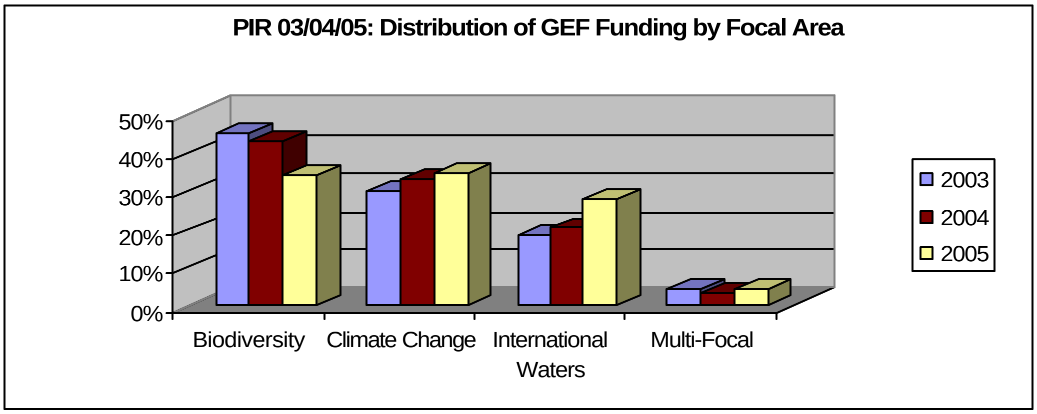
Portfolio by Focal Area	Number of Projects	Percentage of Projects	GEF Funding (US$ millions)	Percentage of Total Funding
Biodiversity	64	40%	225.5	34%
Climate Change	68	43%	231.5	35%
International Waters	23	15%	185.2	28%
Multi Focal	4	3%	24.2	4%
TOTAL	159	100%	667.4	100%

Figure 4: Focal Area Distribution of GEF



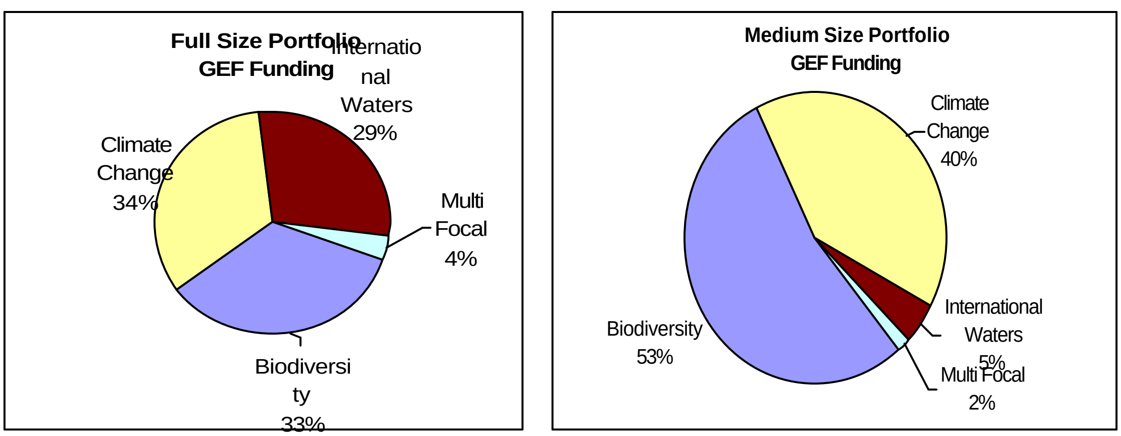
12. The funding share gap between BD and the other focal areas observed in the two previous years continues to be eroded by a steady increase in CC, and particularly IW funding allocations.

Figure 5: Evolution of Regional Distribution of GEF Funding by Focal Area



13. In the medium sized projects portfolio nearly two thirds of the GEF resources are allocated to biodiversity projects. Of the remaining, 40% is concentrated in the Climate Change Focal Area. The large/ multi-country character if International Water projects explain their small share of the MSP portfolio (5%) compared to 29% share of the FSP portfolio.

Figure 6: Focal Area Distribution of GEF FS and MS portfolios



14. The largest percentage of medium-sized projects is found in the BD Focal area, where 4 out of every 10 projects receive less than US $ 1 million in GEF funding.

Table 3: Portfolio by Focal Area and Project Size

Focal Area	GEF Funding			No. of Projects		
	Total Funding	**% FSP**	**% MSP**	**Total No. Projects**	**% FSP**	**% MSP**
Biodiversity	$ 227.1	91%	9%	64	60%	40%
Climate Change	$ 231.5	93%	7%	68	69%	31%
International Waters	$ 185.2	99%	1%	23	91%	9%
Multi Focal	$ 23.6	99%	1%	4	75%	25%
TOTAL	$ 667.4	94%	6%	159	69%	31%

PROJECT RATINGS

15. Using the rating categories provided in the PIR guidelines a total of 22 projects rated their progress towards project objective as *highly satisfactory* and 65 projects as *satisfactory* representing in total four fifths of the PIR 05 portfolio. Fifteen projects rated their progress at the objective level as *marginally satisfactory* and only three as *unsatisfactory*. It is important to note that there is still some degree of subjectivity in these assessments as a number of projects, particularly the older ones still have qualitative or process rather than impact indicators. Annex D of the complete UNDP FY 05 PIR Overview Report lists all projects with either highly satisfactory or unsatisfactory ratings along with a brief description of the reasons that justify the rating.

16. The picture for the ratings on progress towards achieving project outcomes looks fairly similar. A total of 133 projects report satisfactory or highly satisfactory progress. Nineteen projects rate implementation progress as *marginally satisfactory* and two projects rate it as *unsatisfactory*. These figures translate into a PIR 05 implementation success rate of 85 %.

Figure 7: Distribution of ratings for project Objective.

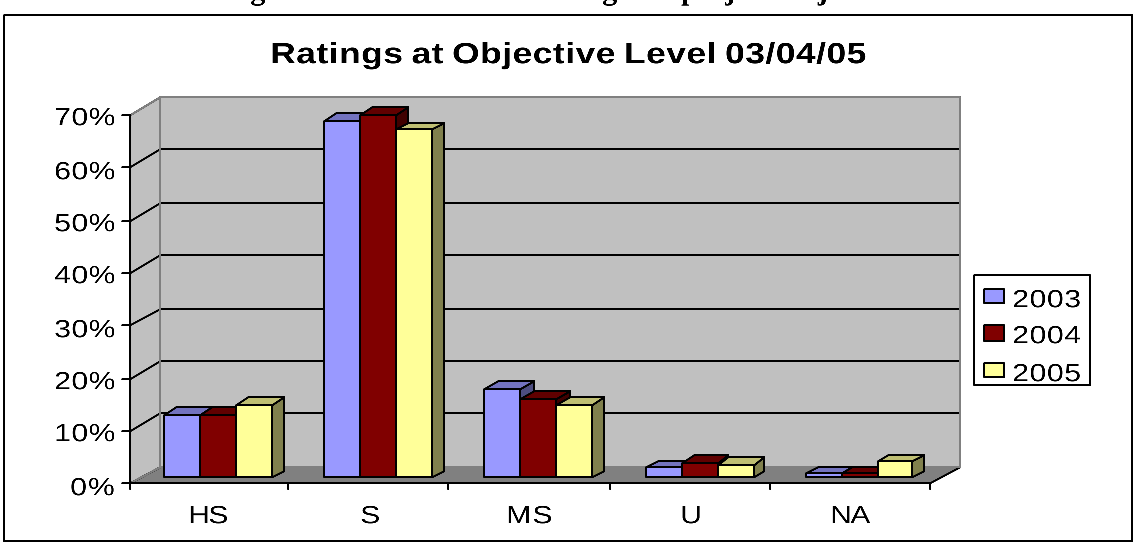
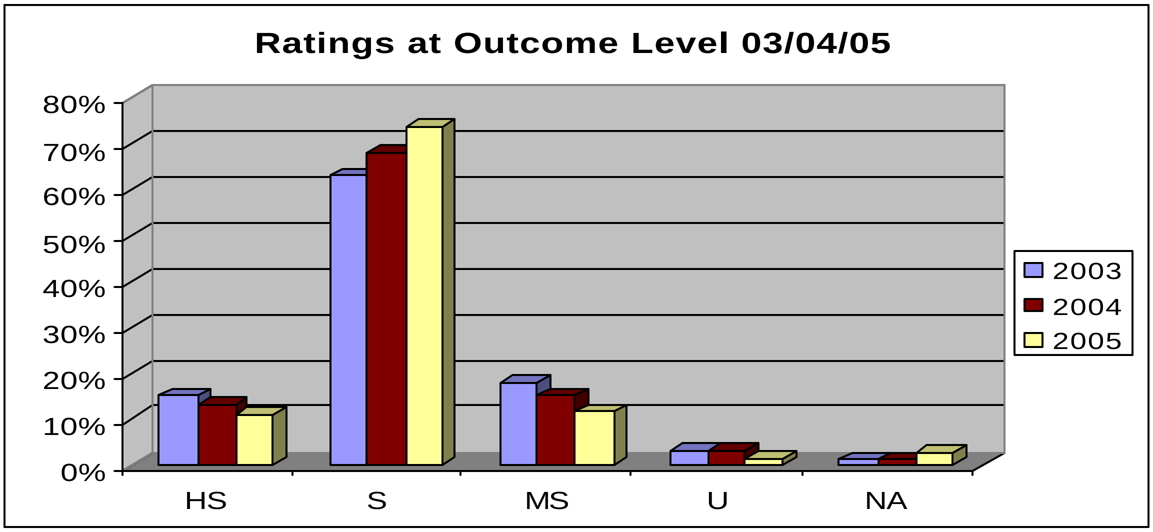


Figure 8: Distribution of ratings for project Outcomes.



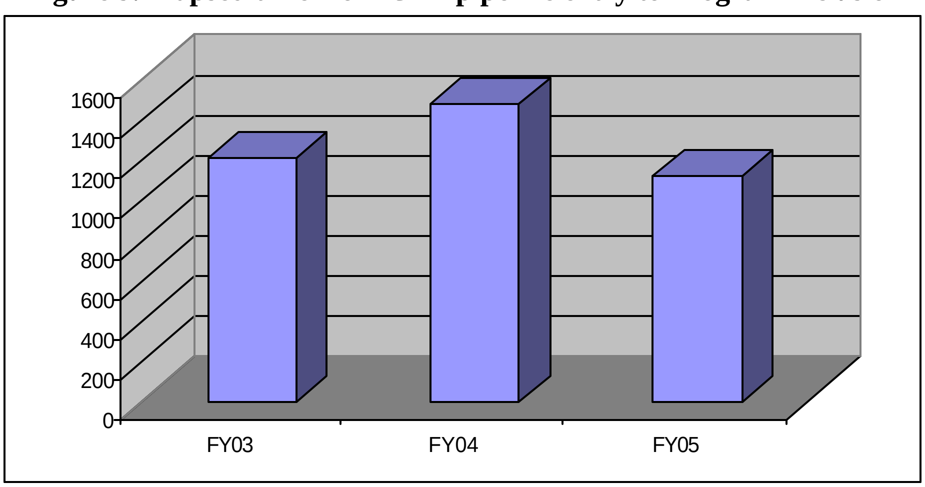
Elapsed time

GEF pipeline to programme inclusion

17. The average time required for UNDP GEF projects approved in FY 05 to move from GEF pipeline entry to program inclusion (entry into the Work Programme after Council approval) is 1123 days or slightly above three years. This period includes PDF development and implementation.

18. For the 22 full sized projects approved in FY 05 the elapsed time is 1273 days. Not counting 3 slow maturing projects that entered the GEF pipeline before FY 00 the average time required drops more than six months to 1062 days.

Figure 9. Elapsed time from GEF pipeline entry to Program inclusion



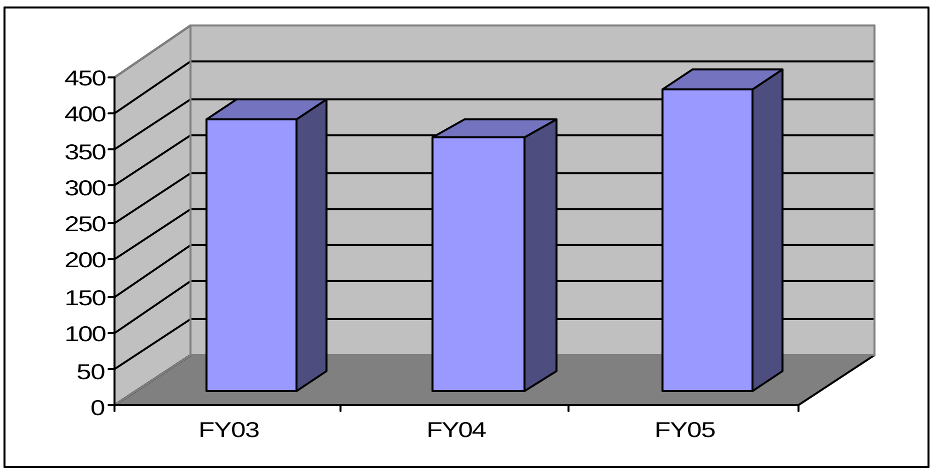
Programme inclusion to Project Agreement

19. It took on average 411 days from GEF Council approval (Program Inclusion) to project agreement signature for the 35 projects that obtained UNDP project agreement signature in FY05. Out of the 35 projects, 22 were full sized and 13 medium sized. The average elapsed time for full sized projects is 512 days. For medium-sized projects is 241 days.

20. In the case of full sized projects signed in FY 05 the large majority (73%) were approved in FY03 or FY 04. The remaining 7% were signed in FY 02 or FY01. Without counting these slow maturing "outliers", the average elapsed time for 16 out the total 22 full size projects drops significantly to 383 days.

21. There are not outliers (projects approved on or before FY02) in the medium sized project cohort. All medium sized projects signed in FY05 were approved either in FY03 or FY04.

Figure 10: Elapsed time from Program Inclusion to Project Agreement



Projects at Risk Systems

22. UNDP/GEF Risk Management System will contribute to achieving results and impacts by allowing systematic and early project risk identification and analysis, and by facilitating risk monitoring, and improving adaptive management.

23. A new Risk Management module has been specifically designed and added to ATLAS, UNDP's corporate enterprise resource platform for project financial management, as the main electronic tool to implement the Risks Management system. As of November 2005 risk management for all UNDP/GEF projects under implementation will be carried out through ATLAS.

Early project risk identification and assessment

24. Starting at the project development UNDP Programme Officers are required to identify all risks pertaining to the project and report through the Risk Module in ATLAS. Programme Officers report on 7 standard risk categories, i.e. environmental, financial, operational, organizational, political, regulatory, strategic, others. The standard categories coincide with factors that have historically been identified as main factors that adversely affect project outcomes. Standard categories contribute to ensuring that the key risks are monitored (not overlooked) and allow aggregation at the portfolio level.

25. Risks with high potential for causing damage are identified as “critical”. Critical risks are those assessed to have medium or high impact and a probability of occurrence above 50%. All financial risks associated with financial instruments such as revolving funds, microfinance schemes, or capitalizations of ESCOs are automatically classified as critical on the basis of their innovative nature.

Risk Monitoring and Adaptive Management

26. Any risk reported has to be accompanied by a management response prepared by the Programme Officer. The management response might include a risk mitigation plan (describing either adaptation measures and/or a contingency plan) or a decision to monitor risk more closely. Both risk classification and the management response are updated at least every six months.

27. A key feature of the Risk Management System is the classification of projects according to their level of risk. ATLAS’ Risk Module can generate management reports at any time listing all projects with one or more critical risks in any particular region or GEF Focal Area. Regional and Focal Area Managers will use this information to identify priority projects for supervision.

28. Risk Monitoring at the portfolio level will be facilitated by reports generated by ATLAS on all projects that have not updated their risk classification or the risk management response for more than six months since the last update.

29. In addition to monitoring and responding to risks, ATLAS allows monitoring and management of actual key problems that the project is facing. The “issues” tab included in the Risk Module serves this function following a similar logic to the management of risks. Programme Officers report on problems and provide a management plan to address them. As long as the problem persists, it appears as active in the project overview page. Once it is worked out, it is indicated by clicking the “solved” box.

30. Annex G of the full report includes screen prints of: i) the different pages of the Risk Management module for a particular project; and ii) sample risk and issue management reports that can be generated by the system.

Annex 3

Project Implementation Review 2005

Summary Overview Report

January 2006

I. Portfolio Overview

The subset of projects covered by the UNEP 2005 Project Implementation Review (PIR) comprises 65 medium (MSP) and full size (FP) projects that started implementation on or before June 30, 2004 and were in implementation for at least part of FY 2005. It includes projects that were operationally completed during FY05. Co-implemented projects for which UNEP is not the lead agency and individual country enabling activities were not included in this analysis. The FY05 PIR portfolio has 6 projects more than that of the previous year (the PIR for FY04 included 59 projects) which indicates a deceleration of portfolio growth when compared with portfolio expansion between FY02 and FY04.[7]

The total value of the portfolio examined in FY05 is $430 million of which $212 million from GEF and $218 in co-financing. The overall portfolio co-financing ratio is about 1:1, with the biodiversity focal area performing slightly better than climate change and international waters in mobilizing cash and in-kind contributions. Actual project expenditures against the GEF allocation are $125 million or 59% of the total GEF contribution as of June 30, 2005. This confirms the financial health of the portfolio considering that most expenditure reports for the second quarter (due 30 June 05) had not yet been received from executing agencies at the time of preparation of individual PIR reports and therefore had not yet entered into the accounting system. **Annex 1** of the complete UNEP FY05 PIR Overview Report includes disbursement figures for each project. This report can be found at http://thegef.org/results/results.html.

The portfolio includes projects in all focal areas with a majority of projects (45%) addressing biodiversity (*see Table 1 and Figure 1 below*), which is consistent with the project distribution pattern of previous years. For the first time the PIR comprises projects addressing land degradation (LD) and persistent organic pollutants (POPs), one for each focal area. The Overview Report quoted above contains specific sections on Land Degradation (LD) and Persistent Organic Pollutants (POPs). The section on LD includes and analysis of the first UNEP GEF project approved under Sustainable Land Management (OP15) along with relevant results and lessons from on-going cross-cutting land degradation projects approved under biodiversity OP1 – arid and semi-arid ecosystems – , or relevant multi-focal OP12 – on integrated ecosystem management.

The UNEP portfolio on Climate Change remains small with a total of 6 projects, only one more than in FY04 PIR. For the PIR analysis the *Technology Transfer Networks (TTN) Phase II: Prototype verification and expansion at the country level* project, approved in the multi-focal area category, was included in the CC section given its stronger relevance to this focal area. International Waters projects account for 39% of the value of the overall portfolio and about 42% of the funding allocated to FPs.

Medium-sized projects represent about 55% of all projects but their value is only 13% of the total portfolio. Biodiversity has a significant share of the MSP portfolio with about 51% of total resources allocated to MSPs. The total number of MSPs and their share of the portfolio have remained stable when compared with the previous year.

The average size of MSPs is close to $806,000 across the portfolio. The average size of FPs – close to $6.3 million – is not representative of the portfolio given that one BD and one IW project

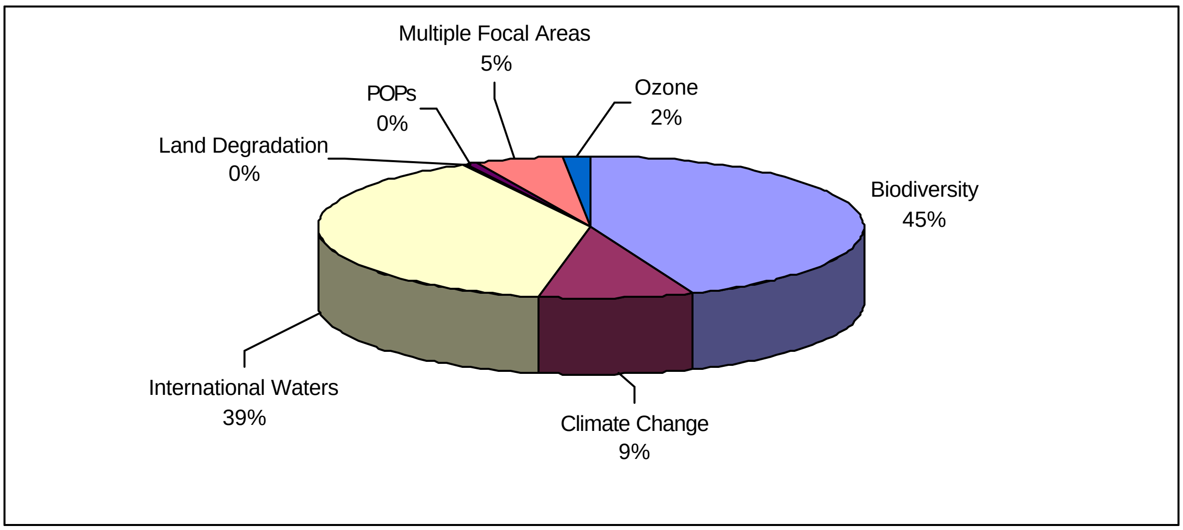
[7] The active UNEP GEF portfolio increased 100% between FY02 and FY03 and 37% between FY03 and FY04.

have considerably larger-than-average funding.[8] The mean size of projects would be approximately $5 million once the two largest projects are removed from the calculation.

Table 1: Portfolio by focal area, project size and value

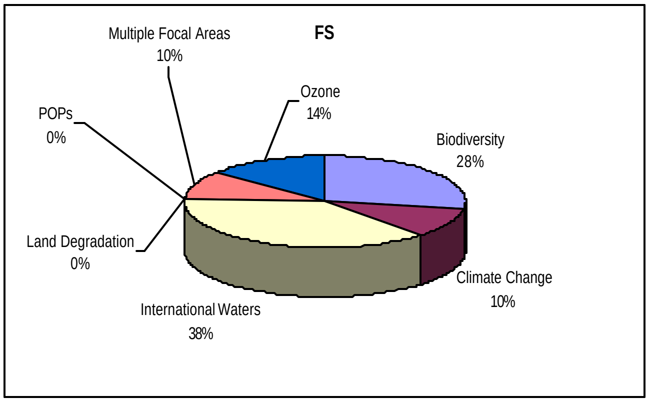
	No. of Projects			GEF Funding (US$millions)		
	Total	FP	MSP	Total	FP	MSP
Biodiversity	27	8	19	93.4	79.4	14.0
Climate Change	6	3	3	19.2	16.3	2.9
International Waters	16	11	5	82.9	78.6	4.3
Land Degradation	1	0	1	0.7	0	0.7
POPs	1	0	1	1.0	0	1.0
Multiple Focal Areas	6	3	3	11.6	8.6	3.0
Ozone	8	4	4	3.4	1.8	1.6
TOTAL	**65**	**29**	**36**	**212.2**	**184.7**	**27.5**

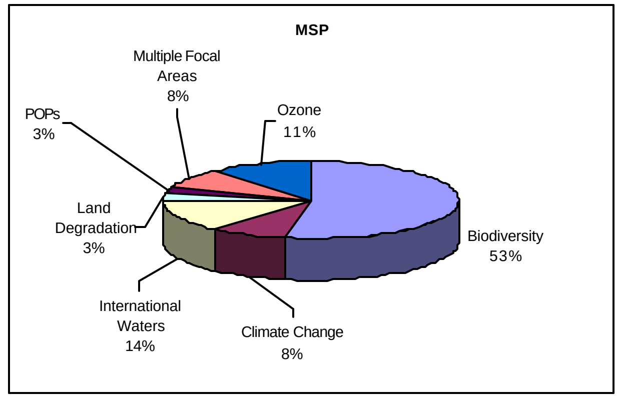
Figure 1: GEF Funding by Focal Area



[8] The GEF funding for the *Development of National Biosafety Frameworks* and *Reversing Environmental Degradation in the South China Sea and Gulf of Thailand* projects is $31.3 and $16.7 million respectively. This affects the average for all FS projects.

Figure 2: Portfolio by Focal Area and Project Type



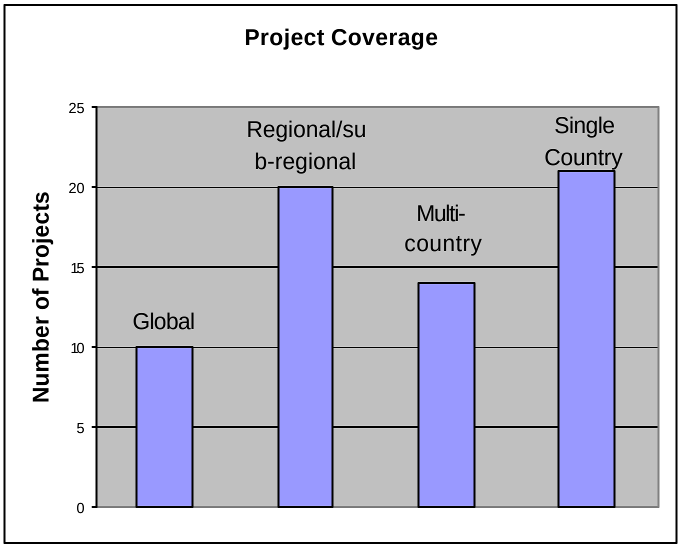


In line with UNEP's role in the GEF and its comparative advantage the portfolio comprises a large number of global, regional and multi-country projects. The combined number of projects in these categories represents some 68% of all projects and 88% of GEF funding (*See Table 2 and Figure 3 below*). MSPs supporting the implementation of national biosafety frameworks and projects providing technical assistance and capacity building for phasing-out ozone depleting substances comprise a significant proportion of single country projects. Interestingly, there are 7 global MSPs addressing issues in all focal areas, with the exception of ozone depletion.

Table 2: Project Coverage

	No. of Projects			GEF Funding (US$millions)		
	Total	FP	MSP	Total	FP	MSP
Global	10	3	7	22.5	15.8	6.7
Regional/sub-regional	20	9	11	72.5	63.6	8.9
Multi-country	14	10	4	92.5	88.7	3.8
Single Country	21	7	14	24.7	16.6	8.1
TOTAL	**65**	**29**	**36**	**212.2**	**184.7**	**27.5**

Figure 3: Project Coverage



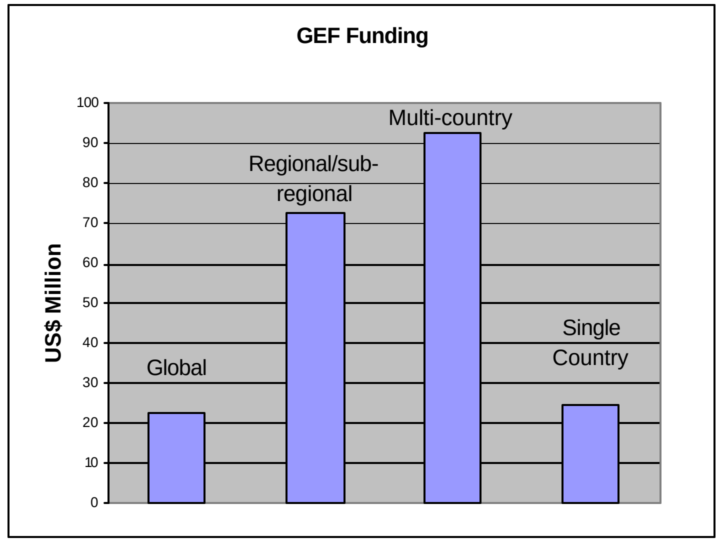
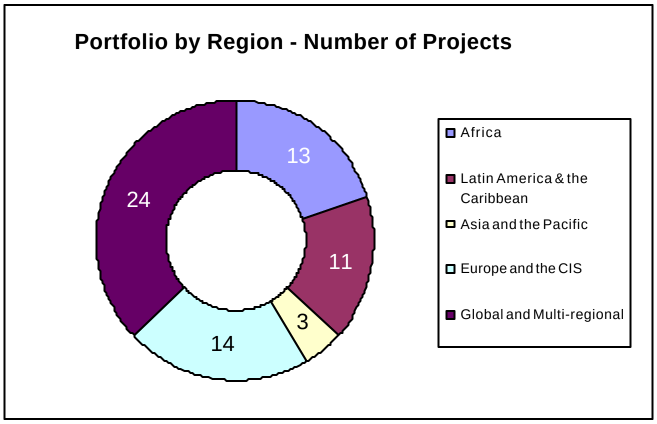


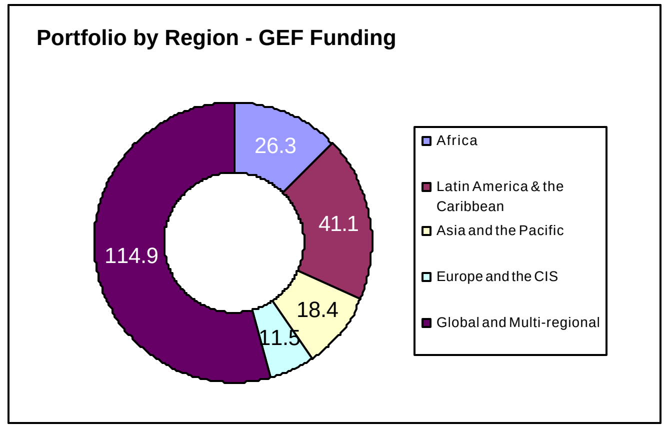
Table 3 and Figure 4 show the geographic distribution of the portfolio. The figures for each region represent the number of regional and single-country projects under implementation. Country participation in muti-country initiatives is not accounted for in the total for each region. Europe and the CIS has the largest number of projects as a result of the concentration of ozone initiatives in the region. Africa follows with 13 projects, and Latin America & the Caribbean with 11 projects. The largest share of GEF resources corresponds to the LAC region (19%), followed by Africa (12.3%). It is worth noting that the LAC region has a significant IW portfolio comprising 5 FPs with a total cost of $33.8 million or 82% of GEF resources in the region.

Table 3: Geographic Distribution

	No. of Projects			GEF Funding (US$millions)		
	Total	**FP**	**MSP**	**Total**	**FP**	**MSP**
Africa	13	3	10	26.3	19.0	7.3
Latin America & the Caribbean	11	6	5	41.1	37.1	4
Asia and the Pacific	3	1	2	18.4	16.8	1.6
Europe and the CIS	14	6	8	11.5	7.4	4.1
Global and Multi-regional	24	13	11	114.9	104.4	10.5
TOTAL	**65**	**29**	**36**	**212.2**	**184.7**	**27.5**

Figure 4: Portfolio by Region





II. Portfolio Performance

Project ratings by UNEP were generally based on the 4 points scale system in the GEF Secretariat Guidelines for the PIR 2005: highly satisfactory (HS), satisfactory (S), marginally satisfactory (MS), and unsatisfactory (U). However, a number of project task managers provided intermediate ratings (S to HS and MS to S) for several projects and it was therefore decided to maintain these ratings rather than try to translate them to the 4 points scale system. Figures 5 and 6 below include the six rates.

The majority (80%) of projects in the 2005 portfolio are reaching their objectives, with 52 projects rating satisfactory (S) or above. Fourteen projects were rated highly satisfactory (HS) and 38 projects satisfactory (S)[9]. Nine projects were found marginally satisfactory (MS) vis-à-vis progress in meeting their development objectives, while 1 project was found unsatisfactory (U)[10]. Three projects were not rated, one of which is undergoing a terminal evaluation and the other two because it was felt that available information was not sufficient to establish the level of accomplishment of development objectives. The focal area sections in the Overview Report provide additional details and analysis.

The final ratings of 9 projects which underwent terminal evaluations during the period are as follows: 1 project rated HS (*Integrated Management of Land Based Activities in the Sao Francisco Basin)*; 2 rated H/HS; 3 rated S; and 3 rated MS/S.

When project PIR ratings are compared with those of the last two years, the percentage of the portfolio rated as HS slightly decreased between 2003 and 2004 from 24% to 18%, and increased again this year to 21%. On the other hand, the number of projects rated MS for achievement of development objectives increased from 3 projects rated MS in 2004 to 9 projects (14%) in 2005. This reflects efforts to applying the project rating criteria in a more stringent and consistent manner across the various focal areas and projects.

It should be noted that there usually is a correspondence between rates of “progress in achieving Development Objectives (DO)” and ratings for “Implementation Progress (IP)”. However, there are situations in which although a project may be progressing satisfactorily, objectives may not be

[9] We include here projects which were rated MS/S and above. Projects rated MS are excluded from this count.
[10] The project rated Unsatisfactory is part of the Ozone portfolio. Chapter IV in the complete PIR FY05 Overview Report provides additional information on the reasons for this rating.

fully met by the time the project comes to a close. An example of this situation is the *Biodiversity Indicators for National Use* project that has made steady progress in its implementation (and was therefore rated HS for implementation progress) but does not seem likely to achieve a key oucome of the project – i.e., the wide application of the indicators – within the planned timeframe, resulting in a DO rating of only MS/S.

Among 52 projects that were also reviewed in PIR FY04, 32 maintained the previous rating (a majority with S ratings), 12 improved and 8 projects received a lower rate.

The small size of the portfolio and the uneven distribution of projects across the various regions do not allow for a conclusive comparison of project performance between regions. Figure 5 should therefore be interpreted with caution, particularly the column for Asia, because there are only 3 projects in this region. The largest proportion of projects rated HS (after Asia which has 2 out of 3 projects rated HS) corresponds to Europe and the CIS. The largest proportion of projects rated MS are in Africa, almost 30% of the overall portfolio in this region. Latin America and the Caribbean and the Global category have the smallest percentage of projects rated MS. Given that there is only one project rated unsatisfactory it would be wrong to conclude that Europe and the CIS have the largest percentage of least performing projects.

Figure 5: Ratings by Region

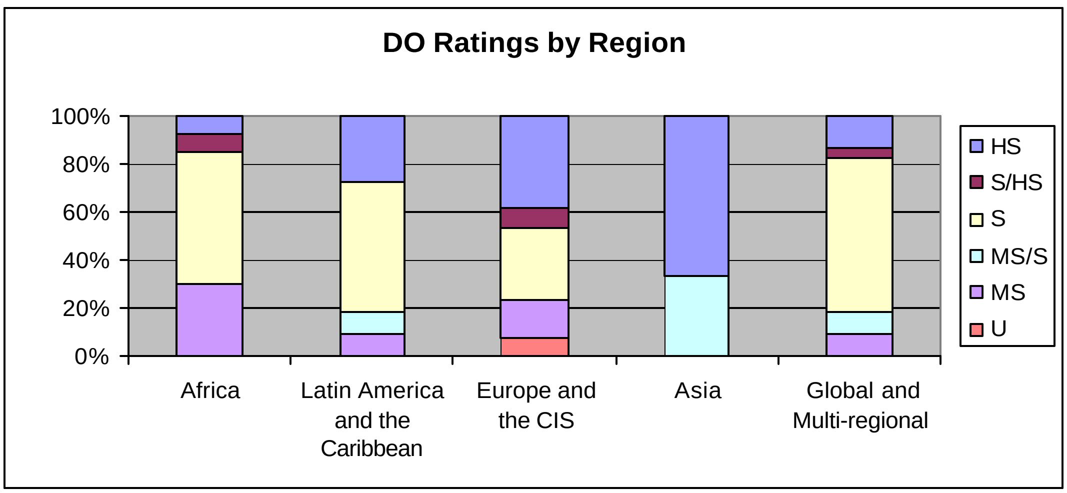
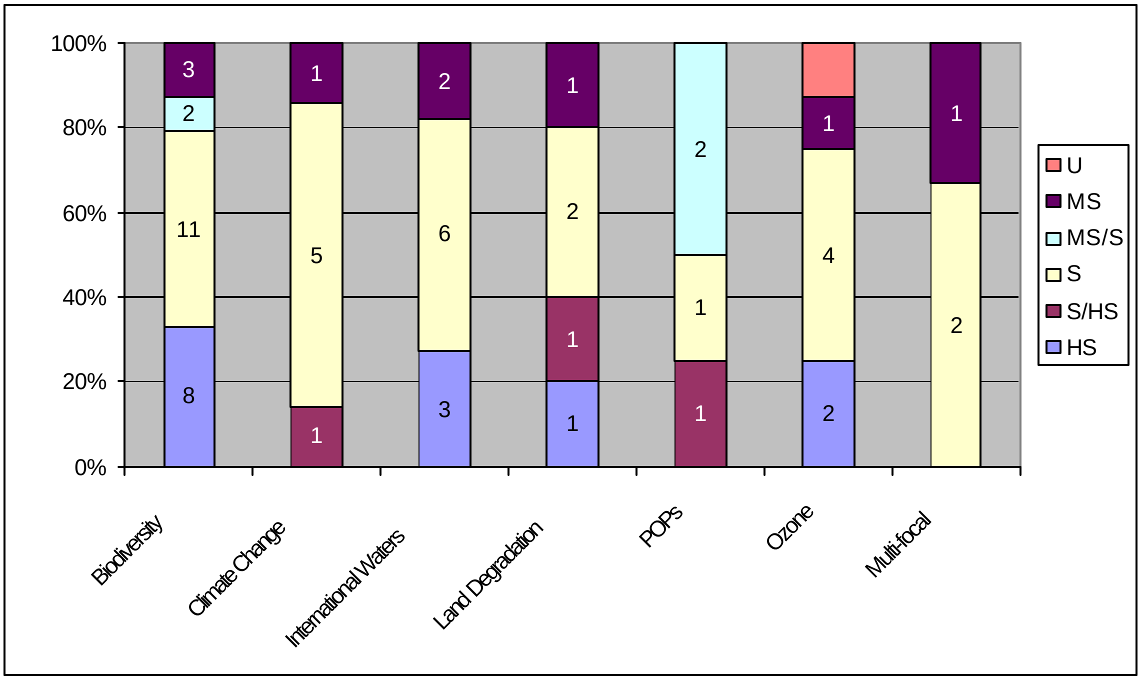


Figure 6 summarizes the ratings by focal area. Again, this table should be interpreted with caution given the uneven distribution of projects across focal areas. The number of projects for each rating are shown in the columns of figure 6.

Figure 6: Ratings by Focal Area



When PIR ratings are compared with the overall rating of terminal (or end-of-phase) evaluations completed in FY05 there seems that the disconnect is not significant. In 4 cases the evaluators reached the same conclusions as the UNEP GEF task managers concerning overall performance (2 projects rated S and two HS). In 3 cases project rates were slightly downgraded by the evaluators (1 project from S to MS and 2 projects from S to MS/S). Finally in one case the evaluator gave a slightly higher rating than that of the task manager (from S to S/HS). Given the small sample of projects it is difficult to assess whether this result indicates a trend towards improving consistency of ratings. UNEP intends to continue monitoring the "disconnect" or deviation between PIR ratings and evaluation ratings with a view to improve its project monitoring system.

III. Portfolio Management and Monitoring and Evaluation

In 2003 DGEF established the Divisional Review and Oversight Committee (DROC) and the Annual Review Meeting (ARM) to strengthen portfolio quality, management and oversight. During 2005 the DROC met consistently to review new proposals to ensure quality of project submissions. The oversight function initially assigned to this large body of professional staff has now being vested in the DGEF Senior Management Team composed of the Director and acting Deputy Director of the Division, the Portfolio Manager, the Focal Area Senior Programme Officers, and the head of the fund management section. This team also has an active role in the project-at-risk system. Quarterly reviews of projects in the "at-risk" category will analyze the situation of each project and will follow up on any risk mitigation and remedial actions identified.

Several changes were made during FY05 to the UNEP GEF monitoring and evaluation procedures in order to implement the new GEF M&E Policy. The monitoring and evaluation functions were clearly divided between the Portfolio Manager in UNEP GEF and the Evaluation and Oversight Unit (EOU) respectively. All evaluation activities are now under the responsibility of EOU who reports to the Executive Director of UNEP and informs the Governing Council through the Committee of Permanent Representatives. It was decided that independent project Mid-term Evaluations would only take place for FPs and for MSPs with durations of 4 years or more or as the need arises (projects-at-risk, strategic or complex projects, etc.) while for other projects various participatory mid-term review methodologies would be applied as part of the monitoring function, and as a tool for adaptive project management.

It should be noted that EOU has prepared a revised UNEP Evaluation Policy. The draft is being reviewed by senior management before submission to the UNEP Committee of Permanent Representatives. The revision of the UNEP Evaluation Policy has been an opportunity to integrate a number of good evaluation practices derived from GEF interventions and also to adjust current UNEP evaluation practices to evolving international standards including those proposed by the UN Evaluation Group. As part of this process, the UNEP evaluation rating system with a 5 points scale (Excellent, Very Good, Good, Satisfactory, Unsatisfactory) has been replaced with a 6 points scale (HS, S, MS, MU, U and HU). This will facilitate comparison of ratings across GEF implementing agencies. GEF Terminal Evaluations initiated in the first half of FY06 are already using the 6 points scale rating.

Another evaluation procedure introduced recently is the establishment of criteria to monitor and evaluate the quality of project terminal evaluations. This is an effort to improve quality at all levels of the M&E processes in the organization. The system builds on the GEF guidelines for conducting terminal evaluations. Independent evaluators are informed about these criteria at the beginning of their assignment so that they understand the parameters by which their work will be evaluated (e.g., completeness of the report vis-à-vis the terms of reference, coherence between evaluations findings and conclusions, recommendations and ratings, quality of evaluative evidence, etc.). The “evaluation quality assessment” forms completed by EOU are sent along with the project terminal evaluation report to GEF OE. The evaluation quality assessment is also a tool to improve the roster of evaluation consultants maintained by EOU because it provides the means to assess the work of consultants in a more comparable, objective and transparent manner.

The third ARM took place at the end of October 2005. It brought together DGEF professional staff including project Task Managers out-posted in the various regions, the Chief and staff of the UNEP Evaluation and Oversight Unit, and UNEP professionals from various divisions involved in GEF project implementation. The team leader of the GEF Third Overall Performance Study (OPS3), the Chief of the GEF Office of Evaluation, a staff from the GEF Secretariat, and Philippe Roch (long standing GEF Council member) were special guests and contributed their valuable experience to the meeting.

Key topics of the ARM was the analysis of findings of OPS3, and planning for the next phase of the GEF, including implications of the Resource Allocation Framework (RAF) system. The operationalization of the RAF will bring significant changes in the UNEP GEF programming and in portfolio management. The outsourcing and relocation of staff to respond to the challenges of the RAF will also have implications for the operation of the Focal Area task forces and the DROC.

A partnership session with UNDP took place on the last day. The Deputy Executive Coordinator of UNDP GEF briefed UNEP staff on UNDP country programming process, and the knowledge management system among others. Collaboration under the recently signed UNDP-UNEP MOU, was discussed as well as the IAs experience in implementing joint projects. The recently approved methyl-bromide phase-out initiative in Eastern Europe jointly implemented by UNEP and UNDP was presented as a good practice of collaboration.

The M&E session benefited from a presentation by Rob van den Berg on the new GEF M&E Policy and the future direction of the GEF Office of Evaluation. There was consensus among ARM participants that the UNEP-GEF M&E system requires further streamlining and revision to avoid duplication of reporting processes and capturing essential information to guide future portfolio development and application of lessons learnt. In particular, it was felt that the templates for project M&E plans need to be revised and that guidance for adequate budgeting of M&E activities are necessary to assist project proponents and task managers. It was also clear that the PDF stages should devote sufficient time and resources to establish baselines and develop feasible and meaningful M&E plans.

The ARM was preceded by a two-days training on project and portfolio management by the World Bank. The purpose was to familiarize UNEP GEF staff with the project cycle of the WB, from the country programming stages, through implementation and terminal evaluation, with emphasis on quality assurance processes, adequate project supervision and risk management.

PROGRESS IN THE IMPLEMENTATION OF THE "PROJECT-AT-RISK SYSTEM"

The UNEP project "Risk Management System" (RMS) defines risk management as the systematic process of identifying, analyzing and responding to project risk with the objective of identifying risks before they become problems and of designing and implementing mitigation measures in project implementation processes. At the project design stage risk factors are identified and ranked. These include project management risks (internal) such as those related with the project management structure (e.g., roles and responsibilities of project team) and project context risks (external) such as political stability, environmental conditions, economic conditions or other. A risk statement identifying the potential problem (condition and consequence), an analysis of risk exposure (how exposed is the project) and the actions planned to handle the risk, including the person(s) responsible for each action and the date(s) by which actions should be completed form the mitigation plan.

In 2005 all UNEP GEF projects were systematically reviewed to identify risks and the Risk Management System forms were attached to the individual PIR reports. This is the first year that all projects complete a risk analysis during implementation stages, following last year's pilot experience which included only a set of existing projects.

The revised UNEP database (under completion) allows the DGEF management to track a number of factors (flags) in the project-at-risk system, such as milestone dates, disbursement rates, frequency of reporting by executing agency, that will facilitate portfolio management.

As mentioned above and as agreed at the ARM, the Senior Management Team in UNEP DGEF will play a crucial role in the analysis and follow up of risk mitigation measures and remedial action.

IV. Project Cycle

In response to the GEF Secretariat request to analyze the project cycle, UNEP reviewed last year the processing time for 28 GEF FPs approved by UNEP between 1997 and 2005[11] and 57 MSPs approved by UNEP between 1998 and 2005. The following are the findings of this preliminary analysis:

[11] Exclusions from the analysis are: projects approved during the Pilot phase; projects that became effective prior to FY1997; co-implemented projects; and those that have been approved by Council but are not yet approved by UNEP.

1. FULL-SIZE PROJECTS

Analysis of the processing of 28 UNEP/GEF FPs approved by UNEP between 1997 and early 2005 reveals that there has been a steady and significant increase of 54% (749 days to 1157 days) between GEF approval of a PDFB grant and full-size project approval by UNEP (*see cumulative figures in brackets in Table 4*). This is due entirely to an increase in the length of the PDFB cycle: there has been no significant change over time in the processing of full-size projects after Council approval (appraisal and internal approval).

Similarly, there has been no significant change in the processing time of PDFBs (GEF approval to UNEP approval). The increase is attributable to a lengthening in the time given to PDFB activities (i.e., project preparation). Such an increase in length of PDFB implementation is mostly due to the need of ensuring strong public and stakeholder participation in project development and sufficient project quality for work programme inclusion. It also reflects the necessary time to finalize co-financing agreements.

GEF approval of PDFB grant to approval of FP by UNEP: 1157 days (38 months). This cycle includes stages as follows:

- Council approval to project approval by UNEP: 369 days (12.1 months), of which 320 days (10.5 months) for appraisal (Council approval to CEO endorsement) and 49 days (1.6 months) for processing of IA approval: (CEO endorsement to UNEP approval)
- PDFB maturation (approval by GEF of PDFB to approval by Council of FSP): 590 days (19.4 months), which includes: 122 days (4.0 months) for PDFB internal approval (GEF approval to IA approval); and 90 days (3 months) approximately for FSP review (submission to Work Program to Council approval)

MEDIUM-SIZED PROJECTS

Analysis of 57 MSPs approved by UNEP between 1998 and early 2005 reveals an average processing time (GEF CEO approval to UNEP approval) of 110 days (3.6 months). The analysis reveals differences on a year by year basis, though cumulatively there has been no significant change since 2000. The annual variations point to a danger in comparing “performance” in one year against that in another. Between 2003 and 2004, there was a 70% increase in processing time (96 days to 166 days), but this was due to one extraordinary project that took 557 days between GEF approval and UNEP approval. 52% of projects have been appraised and approved within 90 days; and 84% within 180 days.

PDFA

Nineteen of the 57 projects had been prepared using PDFA resources. The average time between approval by UNEP of the PDFA and approval by the GEF CEO of the eventual MSP grant was 636 days (20.9 months).

Table 4: Project Cycle for Full Size Projects

Year	Number of projects	PDFB IA approval	PDFB maturation	FP appraisal	FP IA approval	FP appraisal/approval total	PDFB approval to FP effectiveness
97 - 2000	5	113.7	244.8	344.8	39.8	384.6	749.0
		*(113.7)	(224.8)	(344.8)	(39.8)	(384.6)	(749.0)
2001	6	88.3	382.5	281.3	69.7	351.0	907.7
		(101.0)	(313.6)	(310.2)	(56.1)	(366.3)	(828.3)
		207.8	624.4	354.2	48.2	402.3	1289.2
2002	6	(149.5)	(433.2)	(325.7)	(53.3)	(379.0)	(1037.8)
2003	3	114.3	827.3	190.0	17.0	207.0	1148.7
		(142.0)	(507.1)	(305.4)	(47.9)	(353.2)	(1061.6)
2004 & 05	8	76.3	812.5	357.9	50.6	408.5	1378.7
		(122.3)	(590.4)	(320.4)	(48.6)	(369.0)	(1156.7)
	28						

* Note: Figures in brackets are Cumulative averages

Table 5: MSP Processing: CEO approval to IA approval

	Annual averages:			Cumulative average:		
Fiscal Year	No. projects	Total days	Av. days	No. projects	Total days	Av. days
1998	4	263	65.8	4	263	65.8
1999	3	373	124.3	7	636	90.9
2000	7	934	133.4	14	1570	112.1
2001	7	935	133.6	21	2505	119.3
2002	10	752	75.2	31	3257	105.1
2003	15	1438	95.9	46	4695	102.1
2004	8	1324	165.5	54	6019	111.5
2005	3	251	83.7	57	6270	110.0

For the PIR FY05 UNEP reviewed the elapsed time of 4 FP and 6 MSPs endorsed by the CEO in FY05 and which have already been approved by UNEP at the time of reporting to check whether there had been any changes in the average times and trends noted above. The elapsed time for these projects is presented in *Tables 6 and 7* below. In the case of FPs there is an outlier that was approved as tranche 2 of an earlier project (with only 196 days). If this project is removed, the average number of days from PDFB approval to effectiveness for the 3 projects analyzed is 1,036 days which is closer to the findings of the earlier study (1,378 days for years 2004 & 2005). The average number of days from PDFA approval to effectiveness of MSPs in this cluster is 801 days. There is no baseline for comparing these averages because previous analyses only considered the elapsed time between CEO approval and IA approval. The average number of days elapsed between CEO endorsement and IA approval in this group is 71 days, less than the previous year.

Table 6: Elapsed time for FPs endorsed by CEO during FY05

Year FY05	PDFB maturation	FP appraisal	FP IA approval	PDFB approval to FP effectiveness
FP 1	506	182	94	782
FP2(*)	0	101	95	196
FP3	843	481	94	1,418
FP4	659	189	61	909
Total days	2,008	953	344	3,305
Av days	502	238	86	826

(*) Desert Margins Programme, Tranche 2

Table 7: Elapsed time for MSPs endorsed by CEO during FY05

Year FY05	PDFA maturation	MSP effectiveness	PDFA approval to FP effectiveness
MSP 1	720	126	846
MSP 2	826	101	927
MSP 3	446	38	484
MSP 4	784	25	809
MSP 5	556	110	666
MSP 6	1,050	27	1,077
Total Days	4,382	427	4,809
Av days	730	71	801

Annex 4

WORLD BANK

PROJECT IMPLEMENTATION REVIEW

FY05

SUMMARY REPORT

May 3, 2006

World Bank-
Global Environment Facility Program

OVERVIEW

1. The World Bank Group's GEF approved portfolio[12] at the end of FY05 comprised 288 full sized projects (FSP), 101 medium sized projects (MSPs) and 37 Enabling Activities, representing grant commitments of US$2.796 billion that are associated with an additional US$13.8 billion in co-financing. GEF grant commitments increased by 7.5% in nominal terms over FY04, which was lower than the rate of 13% achieved in that year and the average annual growth rate of 12% since 1991.

2. The GEF approved 27 FSPs and 9 MSPs in FY05. The average FSP size declined to $7.2 million compared with $9.1million in FY04 and the ten year average of $10 million. There was a slight increase in the growth rate of MSP commitments with a 12.5% increase in FY05 compared with 11% in FY04 but well below the average of 27% between FY01 and FY03 and continuing what appears to be a longer term decline in MSP use in the Bank. In sum, during the past four years, though the number of new projects is keeping pace with the longer term yearly average, the average GEF grant size is falling and total commitments are growing at a slower rate, 9% per annum, than during the first ten years of the GEF when it grew at 13%.

3. There were minor changes from FY04 in distribution by Focal Area that were mostly consistent with trends in recent years. The climate change (39%) and biodiversity (35%) focal areas continue to have the largest shares of GEF commitment but each declined by one percentage point since FY04, while the share of international waters increased by one percentage point to 14% a steady growth from 10% in FY00. The share of projects in the Multi-focal area had increased in recent years and though there were six additional projects the share remained the same at 6%. The share of ODS projects also remained unchanged at 5% while land degradation and POPs projects are just beginning to enter the portfolio (less than 1% each).

4. The most noticeable change in the distribution by region was a fall in the Latin American and Caribbean Region's (LCR) share to 20% from 26% in FY04. This was due to delays in submissions for Council approval as a result of institutional changes in the region. Subsequently, in FY06, the Region has significantly increased its submissions and should be back to its historical share. The main gainers were IFC (9%) up by two percentage points and to a lesser extent ECA (20%) and AFR (16%) both up by 1%. The share of the other regions remained the same. For MSPs, though LCR continues to have the highest proportion of commitments its share declined while ECA's again increased.

5. The Bank's <u>active portfolio</u>[13] in FY05 comprised 225 projects (167 FSPs and 61 MSPs) with total GEF Grant commitments of US$1.46 billion. This was an increase in commitments of less than 1% over FY04 compared with increases of 5.6% and 3.4% respectively in the previous two years. The active portfolio reflects the pattern of entries and exits in any given year. During FY05 the Bank's Board approved 32 FSPs, the highest number since the GEF began (31 were approved in FY04), while 14 projects closed resulting in a net increase of 18. For MSPs there were 14 approvals by Regional Management and 19 closures, which resulted in a decline by 5 projects. The portfolio is beginning to mature as 85 FSPs and 41 MSPs have now been completed and closed.

[12] All projects approved by the GEF Council through FY05 and directly managed by the World Bank Group.

[13] All projects approved by the GEF Council and Bank Management through FY05, excluding those cancelled or closed up to the end of the FY.

PORTFOLIO PERFORMANCE

6. Eleven indicators have been identified to measure portfolio performance. These are discussed in each section below and an explanation of each indicator is also provided. Because of the relatively small number of cases in each year for some indicators, and due to the volatility of annual results, four year averages are also presented for comparison and in assessing trends. The relatively small universe of GEF projects also makes disaggregated statistical analysis less robust, for example at the regional or focal area level, but such results can be indicative of trends. Table 1 presents a summary of these indicators.

PROJECT OUTCOMES

7. Fourteen projects exited the portfolio in FY05, of which only five were evaluated by IEG at the time of writing in December 2005. All five were rated in the range of satisfactory outcomes[14], including one which was rated Highly Satisfactory, the Senegal Sustainable and Participatory Energy Management Project. In comparison, 78% of projects under the Bank's Sustainable Development (ESSD) Network (environment, rural and social development sectors) Bankwide were rated in the range of satisfactory in FY05. The net disconnect ratio for GEF projects was zero, meaning there was no difference between the rating in the final supervision report and the Independent Evaluation Group (IEG's) evaluation rating. Given the small universe of GEF projects it is more useful to look at longer term trends.

Table 1
Summary of Performance Indicators for the GEF Portfolio

Indicator	GEF FY03	GEF FY04	GEF FY05	Bankwide ESSD FY05	GEF Average FY02-05	ESSD Average FY02-05
IEG at least Satisfactory Outcomes	80	80	100[15]	78	84	78
Net Disconnect	0	0	0	3	0	9
Sustainability Likely or Highly Likely	70	78	100	83	80	72
Progress towards GEO (at least satisfactory)	93	96	89		88	92
Implementation Progress (at least satisfactory)	89	89	89		85	89
Projects at Risk	8	11	11	16 (IBRD)	11	14
Commitment at Risk	14	13		na		
Realism	100	88	72	na	87	
Proactivity	100	80	67	na	89	
Elapsed Time: Council to Bank Management Approval	587	392	499	na	490	NA
Elapsed Time: Bank Management Approval to Effectiveness	208	191	150	na	204	NA

[14] Includes projects rated moderately satisfactory

[15] The number of evaluated exits was small (5) hence the outcome is not statistically robust.

8. Eighty five FSPs have been completed since 1997 with seventy six already evaluated by IEG (MSPs are not evaluated by IEG). Overall, the GEF results are more positive than comparable sectors and the Bankwide IBRD[16] portfolio. Eighty four percent of the 76 GEF projects evaluated by IEG were rated in the satisfactory range. For projects which closed more recently, between FY02 and FY05, the average satisfactory rating was also 84% (Table 1 above). By comparison, the rating in the satisfactory range for projects under the ESSD network was 78% for the same periods. In the case of the energy sector the satisfactory rating was 86% for FY05 (7 projects only) and 81% for FY02-05. For the Bank as a whole, QAG reported that 76% of projects achieved satisfactory outcomes in the period FY00 to 04. Since 1991 the averages in the main sectors in which GEF is engaged were: environment (66%), rural (65%) and energy and mining (66%). Against this background, GEF results which have been consistently in the 75% range and now above 80% are encouraging. As part of the portfolio improvement plan for FY06 the results for completed GEF projects will be examined to identify the relevant factors that might be contributing to their better performance.

9. By Focal Area, for FY02 - 05, all Ozone projects were in the satisfactory range, 89% of IW projects, 82% of biodiversity projects and 80% of climate change projects.

10. The Bank's FY04 Annual Review of Portfolio Performance (ARPP) found the strongest correlation with outcomes to be Borrower performance in implementation, irrespective of interaction with other factors. But Bank performance in supervision was also important as this can lead to timely identification and mitigation of risk. For the GEF cohort, Bank performance was rated at 79% satisfactory by IEG (Bankwide or ESSD comparable data were not available).

LIKELIHOOD OF ACHIEVING SUSTAINABILITY

11. According to IEG, sustainability reflects the resiliency to risks of a project as measured by the likelihood that its estimated net benefits will be maintained or exceeded over the project's intended useful life.

12. All the GEF projects evaluated by IEG in FY05 were considered likely to be sustainable. The four year GEF average of 80% was higher than the ESSD average of 72% for the same period, but less than the result for energy and mining which was 84%. Post implementation impact studies carried out by the Bank's GEF team and confirming previous lessons showed the three most important factors affecting sustainability were:

- finance, whether the project was able to develop sustainable financing streams prior to closing in order to continue support for the operation
- Government commitment either to continue supporting relevant institutional structures including provision of staff, to pass supportive policies, or to provide financial resources
- Changes in the overall enabling environment. For example, privatization of a public utility does not encourage demand side management as public and private goals might diverge

PROJECTS AT RISK

13. For FY05, 11% of GEF projects, representing 11 projects, were at risk of not achieving their objectives. This is the same proportion as in FY04 and is also identical to the four year average for FY02-05. Six of the projects at risk in FY05 were in AFR, representing 27% of the

[16] Includes IDA.

portfolio, three in LCR, one each in ECA and SAR and none in MNA or EAP. Among Focal Areas, four were in IW, four in biodiversity, two in climate change and one in MFA. Bankwide for FY05, 16% of projects in the IBRD portfolio were at risk and the FY02-05 GEF average of 11% is less than the ESSD network average of 14% for these four years.

14. To some extent, the pattern of GEF projects at risk reflects the wider context in which GEF operates. For example, in FY05 25% of all Bank projects in AFR were at risk while only 6% of projects in EAP were at risk. The ARPP also found the Africa Region to have the highest proportion of projects at risk between FY00-04, though for the GEF portfolio this high risk in AFR did not translate into more unsatisfactory outcomes. Furthermore, the countries which topped the list of projects at risk in the IBRD portfolio (data for FY04) are also represented in the FY05 GEF cohort: Nigeria (53%), Argentina (37%), Uganda (32%), as well as Brazil (17%).[17]

15. A common characteristic in these countries is poor country environment including macroeconomic crises and political instability. In addition the following are the main underlying factors which directly contributed to projects at risk in the GEF portfolio:

- weak implementation capacity, which is reflected in procurement and disbursement delays.
- low levels of government commitment reflected in slow decision making such as in provision of counterpart funds or in making key appointments .
- complex projects for example involving innovative financing instruments that are difficult to implement, multiple executing agencies or too many components
- poor M&E systems or limited use of the system, resulting in an inability to quickly identify and tackle implementation issues
- regional (IW) projects which exhibit many of the above features

REALISM AND PROACTIVITY

16. The quality of supervision is also related to the degree of realism in project ratings. The realism index is defined by QAG as the ratio of actual problem projects to total projects at risk (i.e., the extent to which task teams themselves identified projects at risk of not achieving their objectives). The realism index for FY05 was 55% which is a significant fall from the previous three years (100%, 100% and 80% for FY02, FY03 and FY04 respectively).

17. The proactivity index is defined as the proportion of projects rated as actual problem projects twelve months earlier that have been upgraded, restructured, suspended, closed, partially or fully canceled, or located in a *post-conflict* country with a Board-approved transition strategy. For FY05 the proactivity index fell slightly to 79% from 80% in FY04 and was lower than the longer term FY02-05 average of 89% which means that greater attention to adaptive management is required.

PROGRESS TOWARD ACHIEVEMENT OF GLOBAL ENVIRONMENT OBJECTIVES

18**.** **Full Sized Projects**: The significant change in FY05 was the introduction of the six point rating system. As a result several projects which in previous years would have been rated fully satisfactory were rated moderately satisfactory (20% in FY05) but considered by the Bank as in "the range of satisfactory." Thus the proportion of projects in the range of satisfactory was 89%

[17] Additionally, Ghana, Georgia and Turkey which placed 4th, 6th and 8th in the ARPP study, though not in the FY05 GEF cohort, were in the FY04 GEF cohort.

compared with 92% to 96% in the previous three years. All Regions achieved ratings higher than 80%. By Focal Area, biodiversity and climate change projects exceeded 90% satisfactory but IW projects achieved only 73%.

19. **Medium Sized Projects**: The results for MSPs were similar to those found for FSPs with 87% satisfactory.

IMPLEMENTATION PROGRESS

20. **Full size projects:** The change in pattern of results for implementation progress is similarly affected by the introduction of the new rating system. Ninety percent of projects were rated in the satisfactory range while the proportion of projects rated in the unsatisfactory range was slightly lower (10%) than in FY04 (12%).

21. **Medium Size Projects:** For MSPs**,** a slightly lower proportion than for FSPs, 88%, was in the satisfactory range.

ELAPSED TIME ANALYSIS: FULL SIZED PROJECTS

GEF Council Approval to Bank Management Approval

22. The volatility in the annual average elapsed time is again visible in the results for FY05 where the time between GEF Council Approval and Bank Management Approval increased by about 100 days or 25%, to 490 days, but is close to the five year average of 502 days and continues the alternate rise and fall pattern of the previous six years. This pattern was explained in a study of elapsed time in FY05 based on analysis of five years data which showed that the annual results are clearly a function of the degree and number of outliers in any given year.

23. Moreover, the FY05 study showed that although there was potential for saving up to 3 months through a reduction and/or greater efficiency in the GEF processing steps, substantial savings would require scaling back the design requirements for GEF project work program entry. Furthermore, the major problems that contributed to delay were country specific. In FY05, the main reasons for long elapsed time were related to limited capacity in recipient governments to manage project preparation, changes in institutional arrangements, and the time it takes to secure co-financing packages. The new GEF Red Zone strategy which calls for projects to be cancelled that have received CEO endorsement two years previously and have not been approved by the GEFIA's Management should lead to a reduction in average elapsed time.

BANK MANAGEMENT APPROVAL TO EFFECTIVENESS

24. The average time taken for projects to become effective continued the declining trend since 2002 and fell by 20% in FY05 to 150 days from 191 days in FY04. It is still higher than the Bank standard of 120 days but is similar to the overall Bank average where about 30% to 40% of projects are typically above the standard. There are no GEF specific reasons to explain effectiveness delays.

ELAPSED TIME ANALYSIS: MEDIUM SIZED PROJECTS

25. MSPs are also characterized by annual volatility in elapsed times. For FY05, the average preparation time (GEF pipeline entry to Bank Country Management Approval) fell to eight

months (for 15 projects) from 2.3 years on average for the previous five years (FY01 to 04) when 44 MSPs were approved. The average processing time increased two-fold from FY02 to 04 from 1.7 to 3.4 largely due to outliers (see above discussion on FSPs), three projects which each took more than five years to prepare.

RESULTS FROM MONITORING AND EVALUATION STUDIES

POST-IMPLEMENTATION IMPACT STUDY RESULTS

26. During FY05, the Bank's GEF team completed the post-implementation impact studies begun in late FY04 of four GEF projects. A cluster of 4 energy efficiency (EE) climate change projects, completed in or prior to 2000 was selected for the first review of this type: Poland Efficient Lighting Project (PELP); Mexico High Efficiency Lighting Pilot (ILUMEX); Thailand Promotion of Electricity Energy Efficiency (TPEEE); and Jamaica Demand Side Management (JDSMP). The studies were undertaken by independent consultant teams. The preliminary results were presented in a workshop held in Washington in May, 2005.

Findings

27. All four projects had objectives of developing DSM capacity, reducing electricity consumption and GHG emissions, and developing technical and financial program models that could be replicated.

28. The results were:

- Major market transformation in the residential sector, primarily with respect to lighting, but also including refrigerators and air conditioners (in Thailand)
- No significant transformation in the institutional, commercial or industrial sectors, despite having targeted those sectors in Thailand and Jamaica
- Significant and sustainable energy savings and GHG emission reductions associated with the transformation of the residential markets
- Significant program replication and extension, both in the countries themselves and in surrounding countries
- Some development of capacity for DSM and energy efficiency within government institutions but with moderate to significant gaps remaining
- Significant benefits for consumers in terms of cost savings and improved product quality
- Significantly enhanced opportunities for distributors and retailers of energy efficient equipment
- Significantly improved competitiveness of manufacturers (in Thailand only)
- Small contribution to the integration of energy efficiency objectives into energy policies
- Minimal to modest contribution to the mainstreaming of global environmental issues into energy policies
- Modest contribution to the development of procedures and tools needed to for global flexibility mechanisms such as CDM/JI.

29. Key features and impacts of the four projects are summarized in Table 2 below. As shown, three of the four projects were implemented by the countries' power generating utilities (publicly-owned), with the exception being Poland. All four projects took place in the mid-1990s, during a period where the Bank/GEF favoured support for DSM projects (since then, DSM projects have generally been rejected in favour of market transformation projects). On a cost per

tonne basis, three of the projects were clearly successful, with the exception being Jamaica. Conclusions and lessons learned are discussed in the Bank's PIR report available on line.

Table 2
Overview of Project Features and Impacts

Aspect	PELP	ILUMEX	JDSMDP	TPEEE
Implementation Entity	Netherlands EE Lighting (NECEL)	CFE (Main Electric Utility)	JPS (Main Electric Utility – now Privatized)	EGAT (Main Electric Utility)
Timing	1995-1998	1995-1998	1994-1999	1993-2000
World Bank/GEF Contribution	$5M	$10M	$3.8M	$9.5M
Total Program Cost	$5M	$23M	$9.85	$59.3M
GHG Reductions (Direct)	0.53 Mt ($10/t)	0.76 Mt ($30/t)	0.014 Mt ($700/t)	5 Mt ($12/t)
GHG Reductions (Total)	3.6 Mt ($1.40/t)	5.0-9.0 Mt ($2.50/t - $5/t)	0.2-0.3 Mt $33/t - $49/t	27-45 Mt ($1.30-2.20/t)

STOCKTAKING ANALYSIS OF MEDIUM SIZED PROJECTS

30. The overall objective of this study was to review the performance and impact of MSPs in order to assess their value added to the Bank's agenda for addressing global environmental issues.

Main Findings

Outcomes

- At the time the study was conducted 24 MSPs had been completed and evaluated, of which, 90%achieved ratings of at least satisfactory for key performance indicators. Project completion reports almost without exception suggest that MSPs have been a positive experience for the executing agency, the Bank and project beneficiaries. However, it should be pointed out that MSPs are not subject to review by OED consequently self assessments could be overly optimistic.

Bank Regional Approaches

- There is considerable regional variation in how MSPs are used. Two Regions, LCR and AFR, had specific strategies to develop and implement MSPs. In the case of the former to work with non-traditional partners. In the case of the latter, to work in countries with no lending program and to prioritize "environment" on the countries' agenda..

Costs and Time

- Over the last few years the time required and the cost of preparing MSPs has risen in part due to fixed costs associated with Bank-required financial management assessments and procurement plan preparation.

- The average costs to the Bank of managing MSPs are relatively high. The relatively small size of MSPs (when compared to FSPs) has not resulted in correspondingly lower management costs.
- Project preparation costs can be lower when more experienced NGOs are involved.

Bank Decentralization

- Costs could be lowered with decentralized MSP management through Bank Country Offices, which could also facilitate dialogue with non-traditional partners.

Leveraging Additional Resources

- MSPs have proved to be an effective financing tool to leverage additional project funding from other donors, government, NGOs and the private sector. Having the Bank as the implementing agency has often been a magnet to attract more interest and resources.

Strategic Purpose

- MSPs often serve a broader strategic purpose for the Bank (i.e. engaging non-traditional partners such as NGOs, working in countries with no lending program such as South Africa, prioritizing environment on the countries' agenda, paving the way for a larger project)

Capacity Building

- Building NGO capacity which can lay the groundwork for participation in larger projects.
- Bank Task Teams provide a high level of technical competence in the GEF focal areas and provide good examples in LCR of working well with NGOs including those representing indigenous people.
- Most MSP executing agencies had little or no experience doing business with the Bank. As a result Bank requirements related to procurement and financial management were initially difficult to grasp. But learning these had a positive impact on these agencies as institutional capacity was built.

Trends

- The declining trend in using the MSP modality of support is likely to continue, although the introduction of the RAF could result in a change in the business model for countries with small allocations. Cost and staff time considerations have been the principal reasons for the decline in MSPs.
- Moving forward, while MSPs will not be developed in large numbers in any Region including the IFC, most managers do not want them eliminated from Bank operations and expect to continue to use them when circumstances warrant.

Other MSP Advantages

- **MSPs are Flexible**. It is relatively easy to make design changes during implementation which helped many MSPs achieve desirable and/or different outcomes.
- **MSPs are less complex**. MSP objectives tend to be less complex and more targeted which may be an important contributing factor in their overall success.
- The results of MSPs can be used as leverage in engaging governments in policy dialogue.
- Allows the Bank an "entry point" into countries with no lending program and helps to get "environment" on the country's agenda
- Allows the Bank to participate in operations where small projects are deemed appropriate

- Allows the Bank an opportunity to work with non-traditional partners (NGOs, indigenous groups etc.) at the community level.
- MSP results have potential to be "scaled-up" into larger Bank or Bank/GEF operations.
- High probability of achieving "satisfactory" results gives the Bank a positive profile at the grass-roots level.

FOCAL AREA SUMMARIES

CLIMATE CHANGE

Portfolio Status

31. There are 17 OP 6 (Renewable Energy), 9 OP5 (energy efficiency) projects; 1 OP11 (transport) project, 4 STRM projects and 1 OP 7 project. While 79% and 78% of projects were rated at least satisfactory on GEO and IP respectively, the difference from the FY04 results is accounted for by the new MS category. The proportion of projects at risk, 12.5% was little different to the result for the overall GEF portfolio, which was 13%.

32. The implementation of projects under the OP 5 is satisfactory as demonstrated in the portfolio review. In particular, the role of GEF in developing financial mechanisms for EE is particularly noteworthy. The Op 6 portfolio under implementation suggests that the GEF is playing a key role in the design of comprehensive rural electrification programs that involve both traditional grid-extension approaches as well as innovative off-grid approaches. The GEF supported off-grid programs have been particularly successful in Asia, where programs in Bangladesh, Sri Lanka and China continue to show strong progress in renewable energy market development.

33. In response to council concerns over the slow progress of the Solar thermal projects, the World Bank completed a review of its Solar thermal portfolio which includes four projects in Egypt, Morocco, Mexico and India. Each project has encountered significant delays. The report found that solar thermal electricity technology is worthy of continued GEF support. The benefits of a successful industry, particularly for developing countries, are significant. The technology is not new, but stalled in its development path. All required technology elements are essentially already in place. The major outstanding issue is the need for cost reduction, and this study concludes that there is no fundamental reason why the technology could not follow a similar cost reduction curve to wind energy and eventually be cost competitive. However robust, long term support mechanisms will be required.

INTERNATIONAL WATERS

Overview

34. The IW portfolio for PIR analysis, which comprises 17 Full-sized projects and 3 MSPs, reflects two basic models to improve governance of trans-boundary water resources: (1) River drainage basin model which finances national and sub-national projects in riparian countries through Investment Facilities attached to larger Strategic Partnerships (Black Sea/Danube Nutrient Reduction Model) and (2) Regional, often 'foundational' programs consisting of highly coordinated and jointly implemented activities among riparian or littoral states aimed at protecting or rehabilitating trans-boundary aquatic ecosystems.

35. The overall performance is 73% satisfactory on both progress towards achievement of global environment objectives and implementation progress, which is much lower than the overall GEF portfolio average of approximately 90% for several years. Four IW projects closed subsequent to the FY04 PIR; OED reviews for all report satisfactory outcomes.

36. The projects at risk (25%), is also relatively high for the IW focal area, compared with 11% for the overall Bank-GEF portfolio. They are at risk mainly due to implementation delays resulting from slow release of counterpart funds, procurement delays and weak management

performance. However, recent key management attention paid to each of these four projects holds promise for what are seen as non-systemic bottlenecks to improving performance in the near-term.

37. Projects continue to show strengths in enabling policy reforms through **legal agreements** (Lake Ohrid), contributing to **measurable and discrete pollution reduction** (Danube / Black Sea country-specific interventions), and **dialogue on upstream riparian inclusion** (Senegal and Mekong). Considerable progress has been made in fostering inter-project, and inter-implementing agency coordination in the case of the Western Indian Ocean and Argentina – La Plata regional portfolios. Areas of challenges continue to be in **sustaining government commitment** to GEF development objectives (Bulgaria Wetlands and Georgis ARET) and delivering needed **institutional strengthening and concomitant reforms** (Niger and Lake Chad).

BIODIVERSITY

Performance.

38. In common with the overall GEF FSP portfolio, the introduction of the six point rating scale introduced greater realism in the ratings of biodiversity projects. In the range of satisfactory outcomes the ratings for progress toward achievement of global environment objectives (GEO) and implementation progress (IP) in FY05 were 91% and 85% respectively compared with 90% for both categories in FY04. But the new category of marginal satisfactory (MS) accounted for 24% for each indicator. It is not clear whether the effect of this change will be to bring more scrutiny to the projects now falling in the MS category, together with those rated at risk. There were four projects at risk representing, 12% of projects in the biodiversity portfolio.

PORTFOLIO IMPROVEMENT PLAN

39. During the past year the Bank-GEF team continued to emphasize the importance of monitoring and evaluation and provided training for task teams. This is a continuing activity and although some improvements occurred, greater success depends on complementary efforts on the part of the Bank as a whole. The two studies reported above (on impacts and on MSPs) were part of an M&E thrust to provide useful feedback that would help in strengthening the portfolio. Post implementation impact studies are now underway for four biodiversity projects in Ecuador and Uganda, (reports in draft), Bhutan and Indonesia (fieldwork pending).

40. The Portfolio Improvement Plan for FY06/07 will be developed following the inter-agency PPR consultations. However, the following items have already been identified for follow up:

- M&E will again receive emphasis, including provision of training aimed at upgrading the skills of thematic specialists and GEF Regional Coordinators to enable them to more effectively review project M&E plans.
- Efforts to monitor proactivity more closely are also underway to ensure that task teams actively attempt to improve the status of projects at risk through adaptive management. Teams will be required to report on a regular basis on progress being made.
- Coordinate with an on-going review of the EAP GEF portfolio to identify reasons for the high rate of unsatisfactory outcomes for completed projects in the region
- Undertake a thematic based analysis of the ICRs, and OED evaluations of the completed FSPs as well as completion reports for MSPs to identify specific outcomes and lessons learned
- Complete the post-implementation impact assessment of biodiversity projects.