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Agenda Item 15

# MANAGEMENT RESPONSE TO THE ANNUAL PERFORMANCE REPORT 2013

**(Prepared by the GEF Secretariat)**

1. The Secretariat welcomes the tenth GEF Annual Performance Report (APR) 2013 prepared by the GEF Independent Evaluation Office. This year's report focuses on 160 completed projects for which terminal evaluations were submitted during fiscal year 2013 (FY13).

2. The Secretariat welcomes the report's conclusion that the outcome achievements of 79 percent of completed projects reviewed for FY13 were rated in the satisfactory range and that the quality of 80 percent of the terminal evaluations submitted during FY13 was rated moderately satisfactory or above.

3. The Secretariat welcomes the finding that 58 percent of projects in the APR 2013 cohort have Sustainability of Outcomes ratings of moderately likely or above – similar to the long-term average and that financial and institutional risks continue to be among the most frequently cited threats to sustainability of project outcomes.

4. The Secretariat notes that the sustainability ratings for both biodiversity and multi-focal projects are on average lower than for other focal areas. For biodiversity projects, the finding suggests that sustainability is harder to achieve in this focal area given the persistent threats to biodiversity and the limited funding for biodiversity conservation worldwide. For multi-focal projects, findings are based on a small number of completed projects to date (49). However, given the increasing prominence of multi-focal area projects in the GEF portfolio, the finding suggests a need for additional analysis. The report provides no basis for the important hypothesis that biodiversity projects have low sustainability ratings because of "persistent threats to biodiversity and the limited funding for biodiversity conservation worldwide." While the literature supports the conclusion that at the global level threats to biodiversity are persistent and biodiversity funding is limited when compared to the need, within the context of specific GEF projects numerous other determinants may be at play and exhibiting more influence on the sustainability of biodiversity, per se. These determinants have been extensively documented in the literature. Therefore, before such a conclusion can be presented with regards to GEF biodiversity projects, a more sophisticated analysis is called for that identifies the determinants of sustaining biodiversity within the context of a large sample size of GEF projects and evaluates whether the evidence consistently points to specific determinants as being responsible for sustaining biodiversity. Only at that time, can conclusions be reliably drawn as to what might be contributing to lower sustainability "ratings" and advice provided as to how this perceived shortcoming could be addressed in the project design and implementation stages, or, if these determinants are outside the control of the GEF interventions.

5. The Secretariat is encouraged by the report's conclusion that over the past eight APR Year cohorts, there has been a substantial increase in the ratio of promised and realized (actual) co-financing.

6. The Secretariat welcomes the finding that performance in terms of Quality of Implementation and Quality of Execution ratings has remained fairly stable over the long term.

7. The Secretariat notes the finding that the quality of two-thirds of closed GEF projects has satisfactory ratings on M&E design and/or M&E implementation. We note that ratings on M&E

implementation for World Bank GEF projects have fallen considerably between the 2 most recent 4-year APR year cohorts (please refer to annex for World Bank response).

8. The Secretariat notes the finding that there has been improvement in the PIF submission to Council Approval stage and that the GEF-5 performance from the Council Approval to CEO Endorsement stage is lower than in GEF-4 and 18 month standard for this stage is not being met in majority of instances. The Secretariat, in collaboration with the Agencies and recipient countries is working to expedite the preparation of overdue projects.

9. This APR does not have recommendations, and therefore the Secretariat has responded only to the conclusions. Attached to this document is an annex containing detailed responses on the APR provided by some GEF Agencies.

## ANNEX: INPUTS FROM THE GEF AGENCIES

## UNIDO

Without intending to dispute UNIDO's problems with adhering to the 18 month timeline for CEO Endorsement, the way UNIDO is singled out in para 156. (see reference below) does not seem to be justified as it remains unclear why UNIDO is singled out and/or whether other agencies have even lower performance or not. As such, it would be suggested to either include all other agencies performance or to remove the specific statement on UNIDO.

Reference:
Para 156. The GEF standard of CEO Endorsement of Council Approved projects within 18 months for GEF 5 was met in only 29 percent of instances. Among the agencies, the standard was met in 39 percent cases for World Bank, 30 percent for UNDP and 29 percent for UNEP. Although the figures for the three main Agencies are equal to or higher than the GEF portfolio figures, figures for other agencies are lower – for example standard was met for only 18 percent of UNIDO-GEF projects (17 observations) – are lower.

## World Bank

### General on cohort

The appreciation of the trends is made difficult by moving cohorts. We understand the need of the IEO to include a rolling cohort (last four years), but it also makes it more unclear for agencies to provide feedback on trends and analysis of underlying causes. For example, the 2013 APR from WB is 47 projects (table 4, MSPs and FSPs?). Some analysis is for 2005-09 vs. 2009-2012 cohort vs. 2013 cohort; this is clear (table 6-7). Yet 'per agency' analysis folds the 2013 cohort into a *new* cohort of 2010-13 and 2006-09 cohort (with 102 and 98 projects respectively) (figure 5 and others). These moving targets make it difficult to follow, and also impossible for us to provide meaningful feedback since we are not sure which the 102 and 98 projects are, and how they differ from the 47).

### WB ratings

We share the IEO concern on the ratings and agree to work with IEO and the Secretariat to deepen analysis to understand reason and necessary measures.

- Changing Bank and GEF practices and applying most recent expectations to older projects is the most likely explanation. These are largely projects that did not benefit from the Bank's results frameworks in place today which would meet the GEF's goal for SMART M&E practice. However their evaluations may still be expecting them to have these features. The Bank has the highest number of projects evaluated in these earlier years (from 2013 cohort, see caveat above).

- On preliminary glance, we agree with the assessment that the fee cuts is likely not the primary explanation as the cohort of Bank projects is mainly GEF 2 and 3 projects (of 2013 cohort; not clear from 2010-13 cohort which is where the issues are?).

Other issues to explore include:

- The detailed report notes that the drop in GEF project ratings was inconsistent with the overall Bank ratings except for the FY04-07 period when the overall Bank ratings also fell. The new results frameworks did go into place in that period of time.

- The detailed report also notes a large significant gap between the TE (ICR) ratings and IEG's assessment of them - over 40% had gaps in these two ratings. The Africa region was noted as having the lowest ratings. IEG themselves has stated they got more stringent in their evaluations in this time period. We will consult with them on this, also given that IEG has more recently looked at this data in the program review.

- The Bank cohort of projects could be biased toward "older" projects since we know IEG has a backlog of ICRs to rate and GEF only looks at them after IEG completes their work. This time lag issue has been raised on a number of occasions; we should explore more timely inclusion of the TE into the APR.

- Some regions have reported that their main dialogue with IEG about persistent gaps in ratings for their GEF program was related to the dual use of GPO and DPO; this issue would be worth exploring deeper with the regions. We are currently not encouraging such dual objectives in new projects.

**Comparability**

We agree with the need to assess this aspect, given the divergent trends in increase and decrease. Such consultation needs to go beyond the GEF Evaluation Office and the agency evaluation offices, as there has been very little exchange facilitated by the GEF on portfolio issues across agencies. Thus it is not expected that there is a divergence in practice among agencies from our perspective:

- GEF projects in the World Bank are subjected to the same more rigorous evaluation process as we do for a $500 million loan. There are internal discussions on how to assess performance. While IEG's practices may not look at the project outcome and results more holistically, we hear repeatedly that our client's view of a project success is often different than the IEG ratings would indicate. The Mexico wind example was a case where the project "transformed" the sector and helped to stimulate lots of follow-on investment, yet the Bank rated this project poorly for its lagging disbursements and other issues not related to the ultimate impact. These aspects are essential for the IEO work on impact.

- Also inherent in the Bank ratings is the fact that they are used as a project management tool. In other words lower ratings are purposefully applied during project implementation to "send a message" on certain improvements needed.  These ratings are relative to the project alone and not comparable across the board with other projects.

**Monitoring and Evaluation**

- We are not fully convinced of the realism of the finding that Bank projects are more poorly rated on M&E.  Contradictory to this finding is the Community of Practice on Behavior Change, which was a survey across the entire SDN portfolio looking for best practice on behavior change, very closely with robust M&E systems and participatory project designs. This study revealed that the vast majority of projects cited as best practice had GEF funding in them.  It may be useful for the GEF Evaluation Office to review this study to better understand the overlap in the project samples.

- The GEF review seems to have given "extra" credit for separating out M&E components, however this is less common in Bank projects given the overall size, where M&E is part of the project management functions/component.  Bank projects DO usually have stand alone project implementation manuals which elaborate on M&E as a core element of project implementation guidance, and it would be interesting to see if GEF Evaluation Office might change their perspective on some projects if they looked into more detail on this.

- We would like to see more analysis of the correlation between quality of project implementation, and quality of M&E implementation, which to us are closely linked. The ratings for between qualities of project implementation are much higher (72%) than for M&E implementation (50%), for comparable cohort.

**Co-financing**

We welcome and agree with the findings on co-financing and implications for the project cycle. We hope that the revised co-financing policy will address these issues.

To the EO: The report (para 14 of Council paper) refers to the co-financing in PIF as ‘promised co-financing’, while this should be correctly termed “preliminary *estimates* of co-financing” (or indicative co-financing) at this stage in the project cycle. Given the indicative nature at PIF stage, the realism in such increase in ‘promised’ co-financing may be overstated.

It is disappointing to see that the assessment of the project cycle is only made at the PIF stage, as we had been given to understand that the IEO would also look at co-financing related delays at the CEO endorsement stage. Why is this not included? Can the report refer to this issue?

The report noted some issues on co-financing but in the detailed report did not break this down by agency while on all other themes they presented data by agency.  Why not?  This information would be useful. The text does note that the Second Beijing Environment Project was an outlier in that it alone had about 1.2 billion in co-financing.