



Global Environment Facility

GEF/C.22/9
October 22, 2003

GEF Council
November 19-21, 2003

Agenda Item 11

PROGRESS REPORT OF THE MONITORING AND EVALUATION UNIT

(Prepared by the GEF Monitoring and Evaluation Unit)

Recommended Council Decision

The Council, having reviewed document GEF/C.22/9, *Progress Report on the Monitoring and Evaluation Unit*, takes note of the progress made under the Monitoring and Evaluation work program since the last meeting. The Council requests the newly appointed GEF M&E Director to prepare for consideration at its meeting in May 2004 a four year rolling M&E work plan, and an annual work program and budget, taking into account the Terms of Reference for the monitoring and evaluation unit approved in July 2003. In preparing the work plan, the Director is requested to include proposals to consider the issues of harmonization of data, retrofitting of project indicators and establishment of project-at-risk systems in the Implementing Agencies.

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INTRODUCTION

1. This progress report of the Monitoring and Evaluation (M&E) Unit provides an overview of activities carried out since the last Council meeting in May 2003. It also offers further information on issues addressed at the May 2003 Council related to the Annual Project Performance Report.

INDEPENDENCE OF THE M&E UNIT

2. Pursuant to the Council's decision, the final Terms of Reference (TOR) for the independent Monitoring and Evaluation Unit were approved July 28, 2003 after consultation and review. The GEF Secretariat initiated a recruitment process for the director of the Unit, with a view to proposing to the Council, at its meeting in November 2003, a candidate for appointment to the position. The full implementation of the steps in the TOR will be done by the appointed Director.

FOLLOW-UP ON THE ANNUAL PROJECT PERFORMANCE REPORT

3. The GEF Council requested the GEF Secretariat to take action on a number of recommendations of the Project Performance Report and the Secretariat Managed Project Review, as described below.

4. **Harmonization of data and comparability of assessments** across implementing agencies is pursued on the basis of *Monitoring and Evaluation Policies and Procedures* (January 2002), with jointly agreed minimum and common standards for monitoring and evaluating GEF projects. As a follow up to the Terms of Reference for the Independent M&E Unit of July 2003, this document on policies and procedures will be updated. Harmonization is also taking place on the basis of common criteria and other data requirements used in the reviews of terminal evaluations by the M&E Unit.

5. The Implementing Agencies are engaged in **retrofitting indicators** to projects which have more than two years left of implementation, with the purpose of developing indicators to monitor impacts and outcomes. Given the diversity of projects and the need to involve project staff in each case, this work takes time. The M&E Unit will continue to work with the Implementing Agencies on this matter. Status will be reported to the next Council meeting.

6. **Establishment of projects-at risk systems** by the Implementing Agencies is important for early identification and prevention, when possible, of risks that may negatively effect GEF project performance. The World Bank system, as reported in the *2002 Project Performance Report* (GEF/C21/Inf. 6), identifies potential performance problems based on 12 indicators, such as financial performance, M&E, project management and country environment.

7. Pursuant to the Council's request, attachments to this document include descriptions by UNEP and UNDP of their internal systems for identifying and responding to projects-at-risk.

PROJECT PERFORMANCE REVIEW

8. The annual **Project Performance Review (PPR)** combines three distinct review processes: the project implementation review (PIR), the specially managed project review (SMPR), and the terminal evaluation review (TER). The review will involve special focal area review meetings and an overall PPR meeting to identify key findings (accomplishments and shortcomings), lessons learned and specific recommendations to improve GEF operations. The report will be submitted to the May 2004 Council meeting.

9. The **GEF project implementation review (PIR)** is based on individual project implementation reports by the Implementing Agencies (IAs), of all projects under implementation for more than a year. The PIR/PPR for 2003 will especially focus on assessing performance regarding four review criteria: Stakeholder participation; sustainability; replicability; and monitoring and evaluation.

10. The **Secretariat Managed Project Reviews (SMPR)** aim to assess whether projects are implemented in conformity with GEF policies, standards and procedures, especially with regard to the attainment of global environmental objectives. SMPRs provide an independent and standardized assessment of selected projects, and also serves an important learning function. About 15 reviews will be made in conjunction with the 2003 PPR report. The reviews are conducted by panels which are comprised of members from the GEF M&E Unit; the GEF Secretariat and independent consultants. Representatives from the Implementing Agencies participate in the review of other Agencies' projects, and as observers for review of their Agency's own projects. The findings and lessons of the SMPR reviews conducted in a given year are aggregated and integrated into the PPR process, thus making use of the SMPR also as a learning tool.

11. **Terminal Evaluations (TE)** are undertaken, for all regular and medium-sized GEF projects upon completion, by the Implementing Agencies. In addition to the regular Implementing Agency requirements for terminal reviews, the GEF M&E team has established eight criteria for its analysis through a Terminal Evaluation Review (TER), which includes implementation approach, country ownership, stakeholder participation, sustainability, replication, financial planning, cost effectiveness, and monitoring and evaluation. The GEF M&E team conducted 18 TERs in FY02 and will conduct 18 more in FY03.

EVALUATIONS AND PROGRAM REVIEWS

12. The **Review of Financial Arrangements in GEF-supported Biodiversity Projects** was completed in April 2003 and presented as a Council information document (GEF/C.21/Inf.13). The rationale for the study was the identified need for biodiversity initiatives to become more financially self-sufficient by project completion, and also to yield benefits to the local communities and the society in general. The methodology for conducting the study included a general view of the entire GEF biodiversity portfolio, an in-depth review of 18 projects selected as best cases and field visits to four projects.

13. Some of the main findings and lessons include:

- The **selection of financial arrangements** in GEF projects has generally been done with inadequate information. Also, many of the projects reviewed did not prepare business plans as part of the process of developing their long-term financial solutions. Thorough reviews of revenue-generating activities are needed.
- The **time frame** for accomplishing project objectives was seriously underestimated.
- Adequate **linkages** need to be established between financial arrangements and mitigation of threats to biodiversity.
- Promoting financial sustainability requires a thorough assessment of **local capacity conditions**. Where community businesses may be difficult to develop, more entrepreneurial household business solutions should be sought.
- The financial sustainability solutions adopted by many projects tended not to be **diversified to manage risks** in global economy trends, political climate and other external factors. Greater consideration for diversification and stabilization is required.

14. The report presented a “checklist” and tasks to assist partners in the design and preparation of future GEF projects. It has been widely disseminated for use both within and outside the GEF.

15. **Review of GEF Engagement with the Private Sector.** At its May 2002 meeting, the GEF Council requested the Secretariat to prepare a Private Sector Strategy, in consultation with the Implementing Agencies, for review and approval by the Council. As a prelude to the preparation of the strategy, the Monitoring and Evaluation Unit, in collaboration with the GEF Secretariat and the Implementing Agencies, initiated this review in September 2002. The final report prepared for the 2003 November Council meeting (GEF/C.22/Inf.6) is based on a statistical analysis of the projects in which GEF has engaged with the private sector. A total of 26 main projects and sub-projects were chosen for field visits.

The **Study on the Nature of Local Benefits in GEF Program Areas** has been initiated in FY03 and will be completed during FY05. This study will assess the benefits that GEF-supported projects have generated at the community level and the links between local and global environmental benefits. Such benefits are an integral part of the overall intervention strategy, particularly since they are essential to secure long term sustainability of the global benefits. This study is co-funded by three bilateral agencies and the GEF M&E. Six pilot field studies were

initiated in the beginning of FY04. Further field work for another 14 projects will be conducted during the remainder of FY04. The study will be completed by December 2004.

KNOWLEDGE MANAGEMENT

16. In keeping with the increased emphasis on the feedback loop and knowledge management in its new TOR, the GEF M&E Unit has started work on a strategy for knowledge sharing using M&E information. The efforts are coordinated with the GEF Secretariat and the Implementing Agencies who also have initiatives to improved learning in the GEF focal areas. Knowledge management was discussed at the STAP-III meeting in October 2003. Further cooperation will be facilitated by STAP M&E Unit. The GEF M&E Unit's efforts are part of the pilot work proposed in the GEF FY04-06 Business Plan.

PROGRAM INDICATORS

17. **Program Indicators in Biodiversity Conservation and Sustainable Use.** *Measuring Results of the GEF Biodiversity Program* (GEF/C.22/Inf.7) is the culmination of a long and substantive process. The report proposes a framework and a menu of possible indicators to measure the results of GEF supported activities in biodiversity. The framework presents the different types of expected outcomes from the biodiversity program and how they relate to the ultimate goal of reducing biodiversity losses. The types of indicators identified include: (a) coverage (in relation to globally significant ecosystems); (b) impacts/results (the type of outcomes in the program is expected to achieve); and (c) context indicators (the general setting for GEF efforts).

18. The framework and menu of indicators are being used for the estimating the GEF3 targets and indicators in biodiversity, and will also be used in the biodiversity program study scheduled for FY04.

19. **International Waters Program Indicators.** The report on *Program Indicators for International Waters* (GEF/C.22/Inf.8) submitted to the November 2003 GEF Council, contains a system of program performance indicators for the three GEF Operational Programs in the International Waters focal area (OP 8, 9, and 10). It includes coverage indicators, process indicators, stress reduction indicators and environmental status indicators. The report complements a previous guide by the M&E Unit, entitled *M&E Indicators for GEF International Waters Projects: M&E Working Paper No. 10*, November 2002. Both reports are used in the international waters program study currently under way.

PROGRAM AND PERFORMANCE STUDIES

20. **Focal area program studies.** As planned in the FY03 M&E work program approved by the Council, the three program studies have started for the focal areas of biodiversity, climate change and international waters. A number of coordination and brainstorming meetings have taken place to promote consistency in approach between the studies, as the study reports are essential elements of the Overall Performance Study of the GEF. In the coming months, the evaluation teams of each study will conclude desk research. Following field visits in the first quarter of 2004, the studies will be completed by mid-2004.

21. **Third Study of GEF's Overall Performance (OPS3).** The M&E Unit has submitted a GEF Council paper on the Terms of Reference for the implementation of the Third Study of GEF's Overall Performance (OPS3) in FY2004-2005 (GEF/C.22/10). OPS3 will, as the two previous overall performance studies, assess the extent to which GEF has achieved or is on its way to achieving, its main objectives as laid down by the GEF Council and Assembly. OPS3 will provide lessons and recommendations to contribute to the fourth replenishment and the third Assembly of the GEF, scheduled for 2005.

**UNDP INTERNAL SYSTEM FOR IDENTIFYING AND RESPONDING
TO PROJECTS AT RISK**

UNDP/GEF identifies and responds to projects at risk through its ongoing M&E tools and mechanisms intended to provide continuous and up-to-date information to managers on project performance.

Assumptions and risks are identified and initially assessed (probability and magnitude) early during project design as part of the Logical Framework Approach process. They are presented in the last column of the project Logframe matrix for each of the different levels of objectives to facilitate monitoring.

Current UNDP/GEF M&E mechanisms include supervision missions, project implementation reviews and mid-term and final evaluations. The review of risks and assumptions, both those identified at design stage as well as new ones, forms a key and integral part of these evaluations. Additional GEF corporate M&E mechanisms such as Specially Managed Projects Review (SMPRs) and thematic reviews complement UNDP/GEF efforts in this regard.

Aimed at strengthening the present mechanisms UNDP/GEF has initiated the design of a system to identify “Projects in Peril” and to determine appropriate management responses. This system will distinguish between projects that are *a priori* high risk – for example, those operating in politically unstable areas, under the jurisdiction of agencies having very low capacity, or facing clear challenges in relation to economic development options – and those which encounter problems after beginning implementation.

This system, which is still to be refined and operationalized, will serve to determine how UNDP/GEF can make increased use of existing M&E tools, and/or apply additional, non-standard M&E tools to ensure that *a priori* high-risk projects, and those which encounter constraints after implementation begins can be supported most effectively.

The increase in the number of regionally-based staff as part of the recent UNDP/GEF decentralization process which has been underway now for 2 years will strengthen the ability of UNDP to monitor project risks more closely and to respond promptly if and when problems are encountered.



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ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

NOTE ON UNEP/GEF ENHANCED MONITORING AND EVALUATION FRAMEWORK

1. At its May 2003 meeting, the GEF Council requested 'UNEP to describe its internal systems for identifying and responding to projects at risk'. This note is being submitted in response to the Council's request.
2. Taking into account the mandate of UNEP as the lead United Nations organization on issues related to the environment, all projects implemented are of an environmental nature and, therefore, the risk associated with their execution are of a different nature from projects with strong investment components. All UNEP projects are subjected to monitoring and evaluation processes based on agreed United Nations rules and regulations (Secretary General's Bulletin –ST/SGB/2000/8, Regs 7.1-7.4). The UNEP Monitoring and Evaluation system, which forms the basis for monitoring UNEP/GEF activities was viewed positively in the 2001 Secretary General's report reference A/57/68 to the 57th United Nations General Assembly.
3. UNEP/GEF projects constitute a substantial part of the evaluations conducted within UNEP. All UNEP/GEF funded projects and activities are subjected to annual reviews, independent mid term evaluations, as well as independent terminal evaluations. The existing monitoring and evaluation system in UNEP has a built-in system of risk identification during project implementation. Self-evaluations, spot checks and supervision missions are important tools for risk identification during the implementation phase of UNEP/GEF activities.
4. All UNEP/GEF activities are subjected to an annual review through a self-evaluation mechanism that constitutes the foundation of UNEP inputs to the Annual Project Implementation Review (PIR) carried out by the Monitoring and Evaluation Unit of the GEF Secretariat. The self-evaluation mechanism was introduced in 1989 and has since been carried out as an annual exercise to assess project performance, identify pertinent issues that require resolution, and evaluate progress of implementation of projects.
5. A section in the Self-Evaluation Fact Sheet (SEFS) describes "problems encountered during project implementation". The task manager is required to identify substantive/programmatic, institutional and financial problems, their causes and consequences. The SEFS is designed in a way that obligates the project manager and supervisor to review the findings of the report. Given the frequency (annual) of

reporting of the SEFS and its accredited importance, the SEFS is a useful mechanism to flag risks in order for project management to take timely action, if necessary, before risks turn into problems. Data collected from the self-evaluation exercise is analyzed and reported in the UNEP Annual Evaluation Report.

6. The UNEP Annual Evaluation Report is an intersessional document of the Governing Council of UNEP. It contains detailed programme recommendations for follow-up and discussion by the Senior Management Group (SMG) of UNEP chaired by the Executive Director. The SMG comprises heads of divisions and other senior management. The status of implementation of recommendations is reviewed on an annual basis. UNEP's Senior Management Group has been convened regularly. Special Sessions have also been convened. The last took place on 11 September 2003. The UNEP Annual Evaluation Report includes reports on evaluations of UNEP/GEF activities under implementation. The Annual Evaluation Report has triggered, in some instances, spot check missions and supervision missions. Spot checks are brief evaluations, normally done when there is evidence that things may not be going well. Spot checks help to overcome immediate delivery bottlenecks by ensuring that corrective action is taken.
7. Risks to projects are also identified through mid-term evaluations. Mid-term evaluations are based on a participatory process, bringing together evaluator, task manager, project coordinator and other stakeholders. Mid-term evaluations are carried out while the project is still under implementation. Mid-term evaluations are often used to identify and solve immediate problems in project implementation and to a lesser extent to establish project accomplishments. This characteristic of the midterm review makes it a flexible tool in identifying projects at risk.
8. Monitoring tools such six monthly progress reports and financial reports are used by task managers and fund management officers throughout project implementation as important project management tools. They provide evidence that planned financial disbursements have been made, activities have been executed according to plan, and objectives attained. Close collaboration between the responsible divisions and units in UNEP handling GEF projects, including DGEF M&E office, and the Evaluation and Oversight Unit (EOU), is key to the success of the monitoring process in facilitating project implementation.
9. With the recent growth in UNEP/GEF activities, the need was felt to develop a more effective system through which the lessons learned from project implementation could be fed into a coherent knowledge management framework for UNEP/GEF projects not only at the programme and portfolio level, but also at the project design stage. To this end, and in response to the Policy Recommendations associated with the third phase of the GEF, the Executive Director of UNEP established, on 15 June 2003, a UNEP/GEF Divisional Review and Oversight Committee, to strengthen the existing project monitoring and supervision mechanism. The role of the Committee is (a), to review all intended UNEP/GEF submissions with the exception of enabling activities; (b), act as an oversight mechanism for the management of UNEP/GEF portfolio of projects; and (c), conduct an annual portfolio review in conjunction with the Project Implementation Review process. The DROC reviews new proposals for PDF-As, PDF-Bs, Medium and Full Sized Projects before they are submitted to the Senior Management Group of UNEP for approval. Members of the Committee are senior programme officers and programme officers; fund management officers and a representative of the Evaluation and Oversight Unit (EOU) located in Nairobi.
10. Previously, no formalized collegial mechanism existed to systematically determine if a spot check should be carried out. Spot check mission was decided by the Evaluation unit in consultation with relevant Task Manager. DROC will support the function of the project Task Manager and will thus play a key role in the oversight mechanism. For the identification of projects at risk, eight criteria are

taken into consideration and rated as high, medium or low risk. These include: financial management; disbursement; procurement; project management; project monitoring and evaluation, organizational support; financial support; and the socio/political environment. Any member of the DROC can bring a project up for review. In order to enhance the credibility of the Self-Evaluation mechanism and improve UNEP inputs into the Annual Project Implementation Review carried out by the Monitoring and Evaluation Unit of the GEF Secretariat, an annual review meeting of task managers of UNEP/GEF projects has been instituted. The Task Manager Review Meeting offers a unique opportunity to identify projects at risk, disseminate best practices and exchange experiences. The First meeting was held on 22 – 25 September in Nairobi and involved the participation of 47 project coordinators. The meeting adopted fifty-one (51) recommendations aimed at improving the management of UNEP/GEF activities including Monitoring and Evaluation activities.

11. The GEF Programme Coordinating Committee (PCC) approves GEF project as part of the UNEP project approval process. The DROC serves as an internal Peer Review System for project proposals before projects are considered by the UNEP/GEF PCC. The PCC is made up essentially of the Senior Management Group of UNEP and other relevant units of the organization. The DROC will play an important role through enhanced portfolio monitoring and annual review, project document review and identification of projects at risk. These new elements in the monitoring and evaluation framework address the need for a more systematized approach at the programmatic level. The entire M&E framework can now monitor data collected during implementation and provide timely and frequent oversight. Feedback to the task manager is achieved through these mechanisms. Knowledge is generated and used in future project design and management.
12. Lastly, in order to respond to the need for achieving impacts and securing results, as called for by the policy recommendations of GEF III, a UNEP/GEF Enhanced Monitoring and Evaluation Framework is being finalized. This will be submitted to the Senior Management Group of UNEP before the end of 2003. The enhanced framework will incorporate existing recommendations of the First Annual Review Meeting of the UNEP/GEF Task Managers and, in particular, those related to reporting requirements with a view towards further strengthening links between financial reporting and operational activities. The framework will also institute an objective and verifiable performance rating system with respect to self-evaluation fact sheets. The framework aims to further harmonize UNEP's reporting requirement with those of the M & E of the GEF Secretariat such as Project Implementation Review (PIR), Project Performance Review (PPR), Specially Managed Project Review (SMPR), Thematic Review and Program Review. The recently concluded Annual Review Meeting made significant inputs into the preparation of the Enhanced M & E framework. Ten (10) of the recommendations adopted were aimed at enhancing monitoring and evaluation and identifying projects at risk. An important component of the enhanced monitoring and evaluation framework is a database designed to flag risks during project execution to better enable senior management to monitor projects at risk.
13. The enhanced framework will also ensure that monitoring and evaluation is more integrated. This new approach will facilitate the development of more informed strategic interventions at the programmatic level and improve project delivery. The UNEP/GEF Enhanced Monitoring and Evaluation Framework will be circulated to the GEF Council upon its adoption.