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Agenda Item 7

MANAGEMENT RESPONSE TO THE GEF ANNUAL PERFORMANCE REPORT 2007

(Prepared by the GEF Secretariat in consultation with the GEF Agencies)

1. The Secretariat welcomes the GEF Annual Performance Report (APR) 2007, prepared by the GEF Evaluation Office. The 2007 APR report provides an assessment of project outcome ratings, materialization of co- financing, quality of monitoring and evaluation, and delays in project completion. This year's APR also for the first time presents a performance matrix summarizing the performance of GEF Agencies on a number of parameters, which are still being developed. This year's APR furthermore focuses on capacity development projects and on the greenhouse gas emissions of the Agencies' internal operations.
2. The Secretariat welcomes the report's conclusion that completed GEF projects remain on target to achieve 75% satisfactory outcomes, a target that was agreed upon in the GEF-4 replenishment agreement. The report notes that the number of terminal evaluation reports submitted in FY07 (42 reports) was lower than the number of reports (66 reports) submitted in FY06 and the Evaluation Office states it's intent to investigate this difference. The Secretariat notes that the number of reports submitted in FY05 (41 reports) was almost the same as for FY07.
3. The Secretariat notes with some concern the finding of only 75 % materialization of the promised co-finance for the cohort of projects that submitted terminal evaluation reports in FY07. Although the degree to which co-financing actually materialized has varied from year to year, and the average of the last four years is still above 90 %, the Secretariat finds that this issue deserves special attention in the APR 2008.
4. The Secretariat also notes the finding of an average delay of project completion of about one year. The delays seem to be decreasing, and the Secretariat would like to see this possible trend further analyzed in APR 2008.
5. The Secretariat welcomes the finding on the positive results of GEF capacity development activities and notes the apparent weaknesses in relation to sustainability. The work undertaken by the Evaluation Office on evaluation of capacity development is very useful to determine the best way to improve the delivery and sustainability of capacity building across projects. The capacity development strategy approved by the Council is now being implemented, and the comments and suggestion received in this year's APR will contribute to making it more effective.
6. The Secretariat also acknowledges the comments on capacity development given in chapter 4 of the APR and notes the Evaluation Office's views that the GEF portfolios in the Philippines and Vietnam are generally positive and in some areas significant. It is further noted that the effectiveness has been varied in terms of results. As the evaluation reports highlight, there are limited incentives in the Government to retain and reward motivated staff and capacity development is also closely linked to institutional structures and procedures as well as progression and repetition in training rather than "one-shot" solutions. The Secretariat appreciates the insights and recommendations received. These will be taken into account in future in order to strive to improve the delivery, effectiveness and efficiency of capacity development.

7. The Secretariat welcomes the significant improvement of the quality of the terminal evaluation reports and notes the observed correlation between the quality at entry of M&E arrangements and the actual quality of monitoring.
8. The Secretariat welcomes the progress of the Agencies toward minimizing the carbon footprints of their internal operations, as documented by the assessment undertaken by the EO. Of greater interest, however, will be the resulting climate change policies and strategies being prepared for adoption by the Agencies and the resulting impacts that these will have on the Agency's portfolios.
9. In response to the recommendation that the GEF Secretariat, in consultation with the GEF Agencies, would conduct an in-depth assessment of the GEF Agencies efforts to reduce GHG emissions, the GEF Secretariat finds that this task falls beyond the mandate of the Secretariat and should not be considered a priority. As noted by the APR, the agencies are making progress toward understanding and managing their carbon footprints and are cooperating with each other and the UN Environment Management Group in this area. This finding indicates that there is little or no formal role to play in this area for the Secretariat.
10. The Secretariat welcomes the progress towards a performance matrix that summarizes the APR findings in a set of quantitative indicators. The Secretariat notes that this tool is still under development and that the scores indicated for the Secretariat so far are set as the aggregated scores of the Agencies.
11. Additional comments to this year's APR have been received from UNEP, UNDP and the World Bank. UNEP notes the following:
 - (a) UNEP agrees with the Evaluation Office that some parameters in the Agency Performance Matrix can only be realistically assessed at 2 or 3 year intervals. This is the case for parameters 2, 8 and 10 in table 6. However, given that this APR presents ratings based on the 2005 APR findings and on the "quality of project supervision" exercise performed in 2006, UNEP wishes to stress that such ratings do not correspond to current UNEP performance levels. For the last two years UNEP has implemented several measures to strengthen project M&E systems and improve quality of project supervision which have been previously reported to Council as part of the Management Action Record. An indicator of improved levels of performance is the 73% rating on "quality of project M&E during implementation" (table 6, parameter 11) which is based on FY07 terminal evaluation findings.
12. UNDP has noted the following points:
 - (a) UNDP tracks when its terminal evaluation reports are completed and submitted to the GEF Secretariat. For example, a total of 33 TERs will be completed in UNDPs fiscal year 2007 (year end) and submitted to GEF Sec which is a considerably larger number than the 18 UNDP TERs that the EO used to make its conclusions and recommendations in this APR for GEF fiscal 2007.

- (b) UNDP regards the Performance Matrix as potentially useful for fair and transparent benchmarking provided the criteria for measuring each parameter are objectively defined, the parameters remain constant from year to year, and the time periods for reporting are clear - we note for example that the current version mixes current and historical data.

13. The World Bank has noted the following points:

- (c) On a general note, with the exception of the Institutional Performance Matrix, the report presents aggregated findings, conclusions and recommendations across all the agencies, with no differentiation. Our preference would be to avoid such distinctions among agencies but it is clear from the Performance Matrix that the World Bank recorded high ratings on all but one of the indicators (quality of entry of M&E) and the highest among the agencies in nearly all cases. Generalizing on the results especially given the implications for specific agency action masks these differences and provides a "one size fits all" approach. In previous years, agencies that were particularly at fault in specific areas were identified. For example, conclusion 1 gives the overall outcome ratings in the satisfactory range as "close to" the 75% target. The World Bank's result was 87%, which is significantly above the satisfactory range.
- (d) Para 2. In the case of the World Bank, the EO has previously stated that it accepts the findings of IEG's project reviews. Therefore, there is no uncertainty in the verification process. Perhaps the EO needs to more fully involve the central evaluation units of other agencies in the process, but it not only already works closely with IEG but has modeled its own project reviews on IEG's processes and formats. Similarly, with regard to the reference in the paragraph to piloting a verification methodology in the field, IEG's PPAR is used for this purpose and has been previously accepted by the EO. It would be useful, therefore, to provide a footnote indicating the status of independent evaluation in the WB.
- (e) Para 6. Is there evidence that information on project completion is not available in a timely manner? Is there an assessment of the lag between preparation of the completion report and its receipt by the EO? In the Bank's case, all completion reports for FSPs are automatically sent to the EO at the same time it is circulated to other units within the Bank. As a result there should be no lag in receipt of the reports, as well as IEG's review.
- (f) Para 19 and 20. No evidence is presented on why there should be doubts about the sustainability of capacity building. To say that sustainability is low because few national or long term training programs were developed focuses on a continuation of the provision of training rather than on whether the training provided by the project enabled better institutional or individual performance. Moreover, capacity development is broader than training per-se. Development of long term training programs also has long term financial implications.

- (g) Para 27. The Bank's ICR template includes fields for financial reporting and for analysis. Again, the generalization of the findings probably masks different practices among the agencies.
- (h) Para 30. At the end of the paragraph, we suggest adding the following text:....."though the financial costs may be higher." It would also be useful to know whether there is a cut off point when the costs under the direct route followed by GEFSEC are so high that it outweighs the GHG benefits and therefore carbon neutrality could be more efficiently obtained from purchasing carbon offsets.
- (i) Para 33. This is another example of the generalizations. There is a difference between those agencies that achieved 6 or 7 of the criteria and those that have only achieved 1 (IFAD) or 2 (UNDP). We earlier pointed out in written comments that the Bank does include a climate policy in its overall strategy, through the broader greening program, which for examples includes energy efficiency in buildings.
- (j) Performance Matrix. It is not clear why there is missing information in the case of the Bank for the following. For line 3 the Bank provided information on elapsed time as part of the PIR. Line 6, IEG's independence is well established. Line 7, IEG does an independent review of the terminal evaluations. The result for the Bank in Line 13 (xi) conveys the wrong impression. The quality of the Bank's TEs has consistently been rated in the 80% range and hence there is far less room for improvements. The rating of 3 conveys the wrong impression.