

GEF Council
November 10-13, 2009

Agenda Item 7

**GEF EVALUATION OFFICE:
PROGRESS REPORT FROM THE DIRECTOR**

(Prepared by the GEF Evaluation Office)

Recommended Council Decision

The Council, having reviewed document GEF/ME/C.36/1 *GEF Evaluation Office: Progress Report from the Director*, takes note of the on-going work of the Office, the extra efforts made for OPS4 and the expanding work needed in the coming months and approves an additional amount of \$400,000 for the work program of the Office in fiscal year 2010, which will be subtracted from the upcoming budget proposal for fiscal year 2011, so that the Office will remain within the overall budget cap of \$15.869 million as agreed. In this way the Office will be able to accommodate the “peak” in expenditure in the years in which an overall performance study is implemented. The Council requests the Office to prepare a revised four-year work plan and budget cycle for GEF-5 for presentation at the June 2010 Council meeting which will take the experiences of the current cycle into account.

Executive Summary

1. The Progress Report from the Director is meant to provide important information to Council on on-going work. This progress report focuses to a large extent on OPS4 and its implications for the budget of the Office.
2. Meanwhile, the **regular work program** of the Office also proceeded as planned. The Annual Reports on Country Portfolio Evaluations and on Performance were presented to the Council meeting in June 2009. Furthermore, the impact evaluation on Ozone Depleting Substances was finalized in July 2009; its findings are presented to Council in the Annual Report on Impact that will be discussed during the Council meeting. Special care was taken to include the findings of the evaluations of the regular work program into OPS4, as requested by the Council. The joint evaluation with Danida's evaluation department on the LDCF will be discussed at the LDCF/SCCF Council meeting. Lastly, follow-up work for the community of practice on evaluating climate change and development is taking up speed now that OPS4 is finished.
3. The Office has reviewed its experiences with inclusion of OPS4 in its work program and concludes that the **peak of funding** that is required by a massive exercise like OPS4 cannot be easily accommodated in the **regular budget** of the Office. One underlying problem is that many evaluations and OPS4 in particular, are multi-year by nature, whereas the budget is approved on an annual basis.
4. The restructured budget of the Office, approved by Council in May 2007, for the first time included the expenses of the Overall Performance Study into the regular budget of the Office. The four year rolling work plan proposed linear incremental increases from year to year, within an agreement upon overall cap, which was most recently calculated to be \$ 15.8 million. The current experience with OPS4 shows that the budget needs to accommodate peaks during the implementation of the overall performance study. These peaks would then be compensated in other budget years, in order to remain within the cap for the four years. Given additional expenses to be expected for OPS4 outreach, publication and dissemination, the Office proposes to shift \$ 400,000 from its proposed budget for fiscal year 2011 to fiscal year 2010. This means that OPS4 can be finalized as now foreseen and with a reduced budget for fiscal year 2011 the overall four year cap for the Evaluation Office can be met.
5. When the Office presented the revised four year budget to the Council in May 2007, it calculated that incorporating OPS4 in the regular budget of the Office would lead to savings of more than \$ 1 million over four years. Since these savings are vis-à-vis the overall cap of \$ 15.8, these savings remain, since the cap will be maintained.
6. This Progress Report proposes that the Office, in consultation with the Trustee and the CEO, develops an improved management structure of its budget within the overall limits set by Council, while at the same time better accommodating expenditure peaks.

INTRODUCTION

7. The Progress Report of the Director is meant to provide the Council with important information on on-going work. As such this report will not contain a full overview of all activities of the Evaluation Office, but focus on a few issues that require the Council's attention, on top of the Fourth Overall Performance Study and the Annual Report on Impact that will be discussed during the Council meeting.
8. First and foremost the **Fourth Overall Performance Study** has been presented to the replenishment meeting as required by its terms of reference. This means that the Council has fulfilled the request of the Assembly in Cape Town to ensure that an overall performance study would be undertaken that would be presented to the next replenishment process and the next Assembly. Furthermore, the report contains an overview of the progress in the **regular work program** of the Office.
9. The interaction between the regular work program of the Office and the OPS4 work program led to **budgetary issues** which were discussed with the CEO and the Trustee.

FOURTH OVERALL PERFORMANCE STUDY (OPS4)

10. The final report of the Fourth Overall Performance Study was circulated to the replenishment participants on September 25, 2009, for discussion at the third replenishment meeting in Paris on October 14, 2009, after which it will also be discussed at the November Council meeting. The preliminary findings of OPS4 were discussed at an interagency meeting with GEF partners on August 25, 2009, and draft chapters of the final report were shared with GEF partners for a final check on factual errors and errors of analysis in early September. Furthermore, the Quality Assurance Peer Group of OPS4, composed of colleagues from the independent evaluation offices of GEF agencies, provided critical input into OPS4, as well as the Senior Independent Evaluation Advisors. The GEF Evaluation Office remains fully responsible for the final product.
11. Much of the underlying work for OPS4 has been reported on in technical working documents; 11 of which have now been published on the OPS4 website, which can be found through www.gefeo.org. Eighteen methodological papers have been published as well, along with 4 surveys. Work is still on-going on 3 reference documents. More technical and methodological papers are expected to be published in the coming months.
12. Furthermore, in the coming months the Office will continue to work on preparing a suitable publication of OPS4 for the Assembly. Outreach activities on OPS4 will include presenting the findings of OPS4 to GEF focal points at sub-regional meetings, as well as presentations at convention meetings.

EVALUATION WORK IN FISCAL YEAR 2009

13. As planned in the Evaluation Office's work program for fiscal year 2009, two **country portfolio evaluations** were completed in Egypt and Syria. These two

evaluations, together with the final version of the Cameroon country portfolio evaluation completed earlier in the fiscal year, were utilized as inputs to the Annual Country Portfolio Report 2009. This report was presented to Council together with the management response prepared by the GEF Secretariat at the June 2009 meeting. Both proposed decisions were approved: (1) to explore, within the GEF partnership, modalities to address the significant gap of available resources for combating land degradation to support key challenges facing countries like Egypt, Syria and Cameroon; and (2) conduct a survey of countries in exceptional situations concerning limited access to GEF partner International Financial Institutions, like Syria. These three new country evaluations are available on the GEFEO website and will be published in hardcopy before the end of the year.

14. The **Annual Performance Report** 2008 presented project outcomes, project sustainability, completion delays, materialization of cofinancing, quality of monitoring, the Management Action Record, and the agency performance matrix. The chapter on factors affecting attainment of project results included two new sections, one on the changes of project result frameworks during implementation, which are indicative of adaptive management by agencies to adjust changes in project context. The other new section was on factors associated with lower outcome achievement. It was found that in most cases factors that led to low achievement were under the control of project management, and were thus open for improvements, rather than external factors that cannot be controlled.

15. Quality of project supervision, planned for incorporation in the annual performance report, required further analysis with regards to the incorporation of social issues and was reported in OPS4. The report was prepared to provide an input to the Fourth Overall Performance Study of the GEF. Therefore, an overview was provided on ratings of projects whose terminal evaluations were submitted after the Third Overall Performance Study (OPS3) period – submitted after FY 2004.

16. The Evaluation Department of Danida initiated an **evaluation** of the operation of the **Least Developed Countries Fund** (LDCF) at the request of the Environmental Secretariat in the Danish Ministry of Foreign Affairs within the context of a UNFCCC COP14 decision which invites Parties and relevant organizations to submit information on the preparation and implementation of National Adaptation Programmes for Action (NAPAs). The Evaluation Office joined this initiative as part of the management of the evaluation and to ensure an input on adaptation issues into OPS4. The evaluation itself was fully paid by Danida and conducted by a team of independent consultants drawn from the International Institute for Environment and Development (IIED) and COWI (a Danish consulting firm).

17. The objective of the evaluation was to analyze and document the results and lessons learned from the operations of the LDCF in financing and promoting climate change adaptation in the least developed countries. It focuses on three elements: process (how NAPAs were prepared and how LDCF supported implementation of NAPA priority projects); products (the NAPAs); and catalytic effects (how LDCF promoted and increased the rate of adaptation planning and prioritization). The evaluation assessed 41

NAPAs, reviewed documentary evidence, included extensive consultations with key stakeholders, an email survey, five in-depth NAPA process case studies (Bangladesh, Malawi, Sudan, Mali and Vanuatu), and several multi-stakeholder consultation workshops. The evaluation was completed in early September 2009 and will be presented to the LDCF Council at its November 2009 meeting.

18. A number of activities followed the **International Conference on Evaluating Climate Change and Development** organized by the Evaluation Office and Partners, held in May 10-13, 2008, in Alexandria, Egypt. A survey was sent out shortly after the conference to more than 500 people in order to follow-up on and assesses the demands and future needs of the conference participants as well as other researchers and practitioners involved in evaluation of climate change and development. A number of substantive follow-up initiatives were designed on the basis of the results from this survey and from feedback during the conference.

19. As a first follow up to the conference, a selection of papers has been published in the summer of 2009: *Evaluating Climate Change and Development*, Rob D. van den Berg and Osvaldo Feinstein [eds.], New Brunswick [etc.], Transaction Publishers, 2009. The book is a compilation of work from researchers and practitioners in development, climate change mitigation, vulnerability and adaptation and presents a collection of stimulating and timely papers aiming at identifying best practices and meaningful indicators, and advancing common frameworks and guidelines for evaluating mitigation and for evaluating adaptation efforts in climate change and development.

20. The conference itself and its follow-up activities were funded out of voluntary contributions from donors. Especially for the follow-up activities additional funding was received from the Swiss and the Swedish Governments, for the development of specific and concrete products and increased capacity to produce these products through a community of practice for evaluators, practitioners, and researchers active in the fields of climate change and development. An online community of Practice on Climate Change was established and launched at the International Development Evaluation (IDEAS) Global Assembly in March 2009 by the Evaluation Office. The electronic repository containing more than 400 documents on evaluations of climate change adaptation and mitigation was also presented at this venue. The following substantive activities are part of this follow-up:

- a. Publication on Climate Change and Development (published and disseminated)
- b. Electronic Repository of Climate Change Evaluations (established)
- c. Online Forum (wiki) for the Community of Practice (established)
- d. Five Studies on Mitigation and Adaptation:
 - Meta-Evaluation of Mitigation Evaluations
 - Preparation of Guidelines for Mitigation Evaluation
 - Study of Frameworks for Adaptation
 - Preparation of Indicators for Adaptation
 - 2nd Generation Guidelines on Adaptation Assessments

21. The purpose of the initiative is deliver high quality monitoring and evaluation products – best practices, guidelines, frameworks and indicators – validated by a virtual global community of practice. The initiative aims to ensure a high level of involvement from evaluators from developing countries in this process, through a dedicated help desk to meet capacity development challenges, such as insufficient access to global resources.

22. Expected outcomes are improved evaluations using these frameworks, guidelines, best practices, concepts and indicators, through an improved capacity to undertake these evaluations. Although the community of practice is global in nature and will incorporate many evaluators, practitioners and researchers from developed countries, it is expected that evaluators from developing countries and countries with economies in transition will benefit from participation in the community, given the fact that they often have less channels to access information and networks, and the community may address their needs for professional development and involvement in the international evaluation community actively. A help desk will support them in identifying and addressing the critical issues they face in collaborating in the community.

REVISION OF BUDGET FOR FISCAL YEAR 2010

23. In May 2007, the Evaluation Office proposed a restructured budget to the Council in document GEF/ME/C.31/7. On the request of the Council this restructured budget proposed a four year budget which included all special initiatives (with the exception of the RAF mid-term review) and OPS4 into the regular budget of the Office. Furthermore, a cap was put on the overall budget for the four year work program. This restructured budget and the principle of the cap was approved by Council in May 2007. In June 2008 the four-year cap was revised to become part of the overall cap of the Council on the corporate budget of the GEF during GEF-4. Within the corporate budget the cap for the Evaluation Office is now put at \$15.869 million for the period of fiscal year 2008 to fiscal year 2011, as shown in table 1.¹

Table 1 – Overall budget cap for the Evaluation Office as reflected in the GEF Corporate Budget in \$ million

FY08 (actual)	FY09 (estimate)	FY10 (expected)	FY11 (expected)	Total
3.461	4.239	4.024	4.145	15.869

24. The underlying principle of the new four year work program and budget of the Office was that expenditure for evaluations would be evenly spread over the years and would build up to and include the Fourth Overall Performance Study. Within the annual budget the Director of Evaluation is mandated by Council to shift funding from one evaluation to another if circumstances warrant this. In fiscal years 2006, 2007 and 2008 these shifts, to accommodate unforeseen set-backs in evaluations due to local circumstances or data problems, off-set by efficiency gains in other evaluations, balanced out without problems.

¹ See GEF/C.35/8 – GEF Business Plan and Corporate Budget for FY10

25. However, it already became clear in fiscal year 2008 that it would be difficult to maintain balance in the budget due to the extraordinary demands of OPS4. The preparatory work for OPS4 in fiscal year 2008, which was mostly done “in-house”, led to an under run in actual expenditure in that year and a proposal to Council to transfer the under run to the next fiscal year, which was approved by Council in September 2008 when the terms of reference and budget for OPS4 were approved. Table 1 already reflects this transfer of funding, and thus already shows a first indication of a shift in funding towards the “peak” of OPS4 in the work program of the Office.

26. This peak can now be confirmed. Rather than to spread out funding evenly over the years it is now clear that the overall cap of \$ 15.869 million needs to be spread out in an uneven way, showing peaks in fiscal years 2009 and 2010, with lower budgets for the years 2008 and 2011.

27. This was already clear when the budget for OPS4 was approved by Council in September 2008. However, this was not reflected in the four year rolling work program and budget that was presented to Council in June 2009 in document GEF/ME/C.35/4/Rev.1. This document still presented an estimate of \$ 4.239 million expenditure for fiscal year 2009 to Council, while Council had actually approved an upward revision of the budget for fiscal year 2009 in its September 2008 decision. The budget for fiscal year 2009, approved by Council in April 2008, included \$ 0.825 million for OPS4. In September 2008 the budget for OPS4 for fiscal year 2009 was revised and approved by Council at the level of \$ 1.235 million. Thus, the expected expenditure for fiscal year 2009 in the budget document should also have increased from \$ 4.239 million to \$ 4.649 million. Actual expenditure for fiscal year 2009 turned out to be slightly below this at \$ 4.644 million.

28. The underreporting to Council on the expenditure for fiscal year 2009 was due to the fact that in mid-May, when the Council document was finalized much of the OPS4 expenditure, especially for field visits and sub-regional meetings, was not yet visible in the system and was expected to be reported in early July, in the next fiscal year. However, much was processed at the end of the fiscal year in the last week of June, which meant that reporting to Council could not reflect this.

29. This also meant that the budget proposal of the Evaluation Office for fiscal year 2010 did not take into account the higher expenditure for fiscal year 2009. The higher expenditure for fiscal year 2009 now had to be compensated by lowering the available amount for fiscal year 2010, to remain within the overall budget cap of \$ 15.869 million, as follows:

Table 2 – Revised budget for fiscal year 2010 for the Evaluation Office in \$ million

FY08 (actual)	FY09 (actual)	FY10 (revised)	FY11 (expected)	Total
3.461	4.644	3.619	4.145	15.869

30. However, given the fact that OPS4 is still to a large extent “active” during fiscal year 2010, including the finalization period from July-September and the follow-up

through publication and outreach, the division of funds between fiscal year 2010 and 2011 does not fit the peak that the Evaluation Office experiences during implementation of OPS4. For this reason the Office proposes to shift within the overall cap of \$ 15.869 to a higher budget in fiscal year 2010 and a lower one in 2011, as follows:

Table 3 – Proposed redistribution of budget funding for the GEF Evaluation Office, within the \$ 15.869 cap in \$ million

FY08 (actual)	FY09 (actual)	FY10 (revised)	FY11 (expected)	Total
3.461	4.644	4.019	3.745	15.869

31. Consequently, the Evaluation Office proposes to Council to approve a revised budget for the Evaluation Office for fiscal year 2010 of \$ 4.019 million, which is approaching the approved earlier budget of \$ 4.024 million, but takes into account the expenditure of fiscal year 2009, which the earlier approved budget did not, and remains within the overall cap of \$ 15.869, given the fact that the Evaluation Office will not exceed \$ 3.745 million in its budget request for fiscal year 2011.

32. The detailed expenditure over previous fiscal years and proposed revised budgets for fiscal years 2010 and 2011 is given in Annex I. In general, expenditure turned out to be higher than expected on OPS4 and on impact evaluations and methodology development. For OPS4 expenditure was higher than expected on almost every count:

- The results cluster embarked upon an ambitious program of impact assessments on all finished projects in fiscal years 2004-2008 for which terminal evaluations were received; given the fact that this was a new methodology, that has recently been described as very promising by the Senior Independent Evaluation Advisors to OPS4, the Office had to increase funding to finalize the methodology and the assessments.
- The performance cluster needed additional funding on gender issues and on the assessment of the project identification form process.
- The resources management cluster had to incorporate additional expenses for an initial comparison of the GEF to similar agencies.
- The stakeholder consultations turned out to be more expensive than planned, due to rising ticket costs for participants and a more thorough consultation with civil society organizations. Although meetings were combined wherever possible, this turned out to be particularly challenging.

33. Expenditure for the impact evaluation on Ozone Depleting Substances also turned out to be higher than expected, due to the technical nature of much of the assessment, which meant additional work by technical experts. Other evaluations were kept within their budget limits.

34. Higher expenditure was also met by not replacing two regular staff members who left the office in July and September 2009. This was made possible by the fact that the peak of work for OPS4 had passed by that time.

35. For fiscal year 2010, a much higher expenditure for OPS4 is now actually foreseen than originally budgeted in the September 2008 budget. An additional issue that needs to be tackled is that there is a high demand for feedback and outreach on OPS4 amongst the GEF focal points and in the conventions. No such feedback was foreseen. In general, the work program and budget of the Office did not provide for participation in the sub-regional workshops for GEF focal points that have become an essential part of the corporate program of the GEF. The Evaluation Office had been able to participate in many of these sub-regional meetings through the budgets for the RAF mid-term review in fiscal year 2008 and OPS4 in fiscal year 2009. The revised budget for fiscal year 2010 would allow the Office to continue to participate in sub-regional meetings to report back to GEF focal points on OPS4. Furthermore, outreach on OPS4 to the conventions would also be included.

36. The Fourth Overall Performance Study of the GEF has turned into a source of technical documents and working papers that could potentially enrich the GEF on many levels. This is an essential element of the higher level of expenditure on OPS4 than budgeted. The Office feels that it should continue to explore OPS4 products in the revised budget for fiscal year 2010.

TOWARDS A MULTI-YEAR BUDGET FOR VARIABLE COSTS

37. The Evaluation Office has discussed the budget issues with the CEO and the Trustee and has identified steps to improve its management of the budget. An important recommendation of the Trustee is to ensure a better distinction between variable and fixed costs in the budget of the Office. For fixed costs, the annual core administrative budget should always remain as it is and this has been the case for the Office. For variable costs, possibilities to shift between evaluations depending on needs of a specific evaluation has always been possible in one fiscal year, but not between fiscal years. OPS4 actually shows a situation where shifts of costs between budget years has become a necessity.

38. For fixed costs, anything not spent in a given fiscal year will flow back to the GEF Trust Fund. For variable costs, unspent funds will currently also flow back to the GEF Trust Fund, and they need to be recommitted in the next fiscal year if and when an evaluation crosses over to the next fiscal year. This is not the case for evaluations that have received a separate budget from Council, like the RAF mid-term review. Any unspent funds in that evaluation will be returned to the GEF Trust Fund at the end of that evaluation, when it is finalized. This mode of operation is more suitable to the current multi-year nature of evaluations; especially for the longer term efforts like the Fourth Overall Performance Study and the impact evaluations of the Office.

39. For this reason, the Evaluation Office proposes to continue to work with the Trustee and the CEO to turn the variable cost part of the budget into a multi-year

commitment for the evaluations that Council approves, within the overall budget cap of the Office. The Office aims to include this in the proposal for the Four Year Rolling Work Program FY11-14 and Budget for FY11, to be presented to the Council in June 2010.

ANNEX I – BUDGET AND EXPENDITURE OVERVIEWS

Table 1. Fiscal year 2009 budget and expenditure in US\$

	Budget	Expenditure
Total Fixed Costs	2,394,667	2,513,422
Staff Costs	2,109,017	2,148,346
General Operations Costs	285,650	365,076
Total Variable Costs	1,512,500	2,131,547
Management & Advisory Support	80,000	96,858
Knowledge Management	100,000	92,399
Publications, Media & Web	100,000	109,348
Participation in Networks	20,000	34,578
Evaluations		
Country Portfolio	192,500	176,420
Impact	95,000	189,798
Thematic	0	65,581
Annual Performance Report	100,000	123,028
OPS4	825,000	1,243,537
Total	3,907,167	
Redistribution from FY08	331,956	
Extra budget for OPS4 approved in Sept. 2008	410,000	
Revised total	4,649,123	4,644,969
Balance		4,154

Notes:

- Fixed costs turned out higher than expected due to rising costs of office space rents and salaries and benefits
- On evaluations, additional methodological work and field visits were needed for the Ozone Depleting Substances impact evaluation and thematic case studies (catalytic role, capacity development) that would feed into OPS4.
- The APR also turned out to be slightly more expensive due to additional field verifications which would feed into OPS4.

Table 2 – Fiscal year 2010 revised budget proposal in US\$

	Approved FY10	Proposed Revision
Total Fixed Costs	2,424,382	2,215,890
Staff Costs	2,123,159	1,914,321
General Operations Costs	301,223	301,569
Total Variable Costs	1,600,000	1,804,550
Management & Advisory Support	40,000	40,000
Knowledge Management	85,000	50,000
Publications, Media & Web	60,000	50,000
Participations in Networks	20,000	20,000
Consultations on GEF M&E policy	20,000	5,000
Evaluations		
Country Portfolios	225,000	225,000
Impact	225,000	200,000
Thematic	100,000	120,000
Annual Performance Report	125,000	105,000
OPS4 (variable)	700,000	988,550
Total	4,024,382	
Transferred to FY09	(404,936)	
Available for FY09	3,619,446	
Transferred from FY10	400,000	
Revised totals	4,019,446	4,019,440

Table 3 – Revised overview over 4 years

	FY08	FY09	FY10 (Revised)	FY11 (Revised)	
Total Fixed Costs	2,106,029	2,513,422	2,215,890	2,528,000	
Staff Costs	1,759,862	2,148,346	1,914,321	2,205,000	
General Operations Costs	346,167	365,076	301,569	323,000	
Total Variable Costs	1,355,381	2,131,547	1,803,550	1,215,000	
Management & Advisory Support	150,043	96,858	40,000	50,000	
Knowledge Management	77,576	92,399	50,000	85,000	
Publications, Media & Web	73,978	109,348	50,000	60,000	
Contingencies	71,240	0	0	0	
Participation in networks	0	34,578	20,000	20,000	
Consultation on the GEF M&E policy	0	0	5,000	0	
Evaluations					
Country Portfolio Evaluations	503,459	176,420	225,000	390,000	
Impact Evaluations	79,692	189,798	200,000	240,000	
Thematic and process evaluations	134,471	65,581	120,000	150,000	
Annual Performance Report	236,322	123,028	105,000	200,000	
Program Indicators	28,600				
OPS4	0	1,243,537	988,550	20,000	
					Total:
Total	3,461,410	4,644,969	4,019,440	3,743,000	15,868,819