



## Global Environment Facility

GEF/ME/C.24/7  
October 19, 2004

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GEF Council  
November 17-19, 2004

Agenda Item 6 (b)

### GEF MANAGEMENT RESPONSES TO THE M&E FOCAL AREA PROGRAM STUDIES

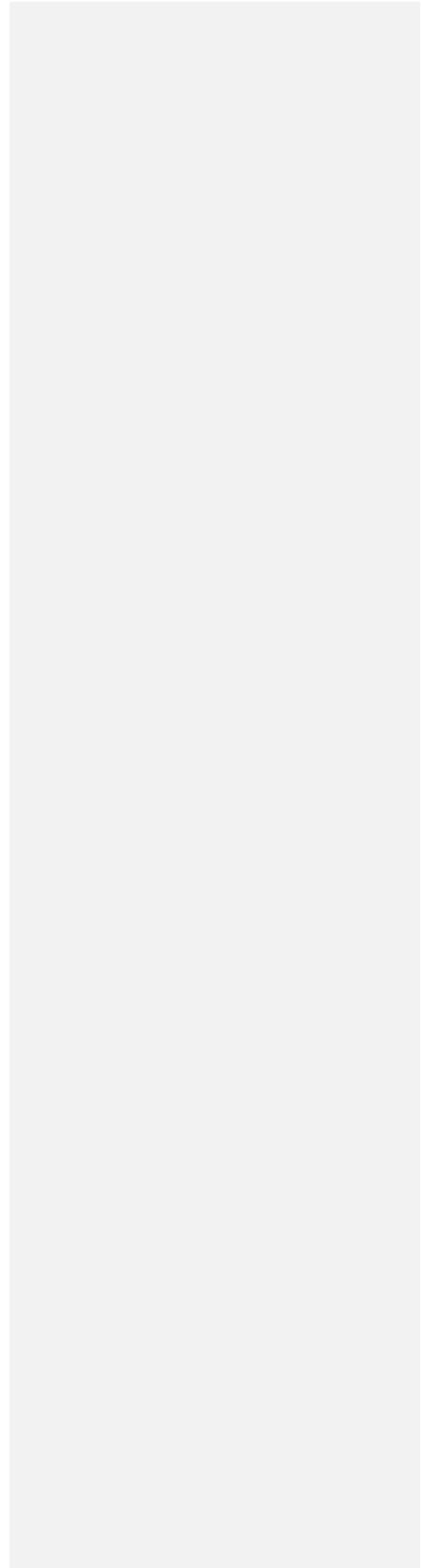
**(Prepared by the Secretariat and the Implementing Agencies)**

**Recommended Council Decision**

The Council takes note of document GEF/ME/C.24/7, *GEF Management Response to the M&E Focal Area Program Studies*, and invites the OPS3 team to take them into consideration in undertaking its work.

## **Table of Contents**

Introduction.....	1
Annex 1: Management Response to the Biodiversity Program Study.....	3
Annex 2: Management Response to The Climate Change Program Study .....	8
Annex 3: Management Response to International Waters Program Study.....	15



## INTRODUCTION

1. We acknowledge the quality and comprehensiveness of the Program Studies and appreciate the many useful findings and recommendations to improve project and portfolio performance. The interagency focal area task forces, composed of staff from the Secretariat and the Implementing Agencies, have carefully reviewed the Program Studies and have developed the attached management responses.
2. Taken as a whole, the Studies make a number of key interrelated findings that we invite the Council to consider:
  - (a) Explicitly articulated focal area strategies complete with indicators are a precursor to identifying and assessing the cumulative impact of the focal area portfolios.
  - (b) Expectations of what the GEF should be able to demonstrate in terms of quantifiable impact on the global environment are largely undefined.
  - (c) The expectation and emphasis on quantifiable results may in fact be inconsistent with the mandate of the GEF to be catalytic and innovative in its interventions and to seek long-term impacts.
3. The Secretariat and the Implementing Agencies have already taken steps that permit the GEF to function strategically and report on its impact at the portfolio level. Currently, project interventions in the three focal areas are guided by the GEF Operational Strategy, the GEF Operational Programs and the Strategic Priorities (Please refer to GEF/C.21/Inf.11, *Strategic Business Planning: Priorities and Targets*). The Strategic Priorities incorporate and respond to operational and technical recommendations from the Overall Performance Study Two (OPS2), project- and program-level monitoring and evaluation, and issue-specific monitoring and evaluation studies, the guidance received from the Conference of the Parties to the Conventions two of the focal areas serve, and the targets identified in the replenishment agreement.
4. The Strategic Priorities identify a tactical emphasis for each Focal Area portfolio and tools to measure the impact of each portfolio are being employed. The portfolio-level indicators reflect the operational and technical reality that impacts on the environment may not easily be measured at the end of a project cycle. Furthermore, the cumulative impact of a portfolio of projects can be easily dispersed given the country-driven nature of GEF projects. Thus, rolling up project-level impacts to the portfolio level constitutes a challenge that the GEF is actively addressing.
5. Within the biodiversity focal area, resources have been programmed according to these Strategic Priorities. Portfolio-level monitoring tools are used to report on progress in meeting coverage and impact target indicators. These tools were used in preparing the report to Council on meeting the replenishment targets, which noted that the focal area has exceeded the replenishment targets for Fall 2004 and is making steady progress in achieving GEF-3 targets as well.

6. In the climate change focal area, strategic priorities were designed to build upon past successes and direct resources to new programming opportunities. They have been used to formulate and shape an evolving pipeline to encourage greater support to those activities considered to be potentially more cost-effective. A systematic methodology for estimating the GHG emission-reduction benefits of GEF-supported projects was developed and refined for use in evaluating compliance with the replenishment targets. In fact, this methodology developed through the climate change task force has provided the basis for much of the program study team's work on indicators in the climate change focal area.

7. Within the international waters focal area, the effectiveness of the Strategic Priorities has been recognized by the Study, which notes a continuing progress in the geographic coverage of major international water-bodies, and a clear evolution from foundational and enabling work, towards the actual implementation of stress reduction measures and investments in large marine ecosystems and freshwater bodies. The focal area has gone well beyond the agreed replenishment targets.

8. We agree with the Program Studies that a clearer articulation of each Focal Area strategy would be useful given that the Strategic Priorities complement the GEF Operational Strategy, the GEF Operational Programmes, GEF policies, and procedures and that they are built on assumptions that may not be entirely explicit to our stakeholders. In addition, we acknowledge that the portfolio-level indicators developed for each focal area are works in progress that can be improved through an iterative process of application and analysis and we welcome the useful recommendations of the Program Studies in this regard.

9. We agree with the observation of one Study that there is a wide disparity of expectations on the part of stakeholders regarding what the GEF can be reasonably expected to deliver in terms of quantifiable impacts on the global environment. A clear articulation of the level at which the GEF's performance should be assessed—overall and in each focal area—is therefore paramount. The current Strategic Priorities and portfolio level indicators define performance benchmarks for the focal areas but we acknowledge that this requires ongoing refinement and improvement.

10. Building on the recommendations of the respective Program Studies and the management responses, and the directions intimated in this cover note, the Secretariat and the Implementing Agencies will develop concise focal area strategy documents based on the existing Strategic Priorities for each Focal Area and these will serve as key contributions to the GEF-4 Programming Document that will be presented to Council in June 2005. As regards the more specific and prescriptive recommendations found within each Focal Area study, we propose that each focal area interagency task force address these as part of the process of refining the Strategic Priorities for GEF-4 as this will allow for a more systematic and effective incorporation of the recommendations. Furthermore, this follows the process undertaken for GEF-3 which proved to be operationally feasible and effective.

## **Annex 1: Management Response to the Biodiversity Program Study**

### **Introduction**

1. The Biodiversity Program Study (BPS) 2004 presents a comprehensive and analytical review of the GEF Biodiversity Program as well as constructive and useful recommendations to further improve both program and project portfolio performances. It also provides many insightful observations gathered through extensive interviews with various stakeholders.
2. The study found that the GEF Biodiversity Program has made “notable contributions to conservation and sustainable use of biodiversity, supporting and enabling positive changes in the behavior or activities of people and their subsequent affects on biodiversity”. The Program Study also notes that the Biodiversity Program has “contributed extensively to supporting biodiversity conservation in areas of global significance, including the megadiversity countries” particularly through supporting protected areas establishment and management and improving the enabling environments within which biodiversity conservation and sustainable use occurs. Although the Program Study highlights the considerable accomplishments of the Biodiversity Program and the responses of the GEF to the recommendations from OPS2 that are currently under implementation, we regret the negative tone and perspective that the Study has taken, particularly as it relates to the three central issues we elaborate on in the Management Response that follows.
3. The response reflects consolidated views of the GEF Secretariat and Implementing Agencies.

### **Strategic Framework**

4. The study repeatedly identifies the absence of strategic framework as one of the most critical weaknesses of the GEF Biodiversity Program stating that the “absence of a fully developed strategic framework, laying out a clear and rational vision (along with goals, objectives and targets)” is a major obstacle in demonstrating impacts of the program and assessing performance to date.
5. This finding is somewhat surprising, given that the GEF Biodiversity Task Force has already taken major steps to correct this perceived weakness. In response to recommendations from Overall Performance Study Two (OPS2) and project- and program-level monitoring and evaluation, the GEF Biodiversity Task Force developed a set of four Strategic Priorities that outline a tactical emphasis for the Biodiversity Program. The Strategic Priorities complement the GEF Operational Strategy, the GEF Operational Programs and broadly incorporate guidance from the Conference of the Parties to the CBD. The Strategic Priorities were first presented to Council in April 2003 “Strategic Business Planning: Priorities and Targets (GEF/C.21/Inf.11)”.
6. The strategic emphasis of the portfolio is directed towards conserving and sustainably using biodiversity within protected areas and mainstreaming biodiversity in production landscapes and sectors (Strategic Priority One- Catalyzing Sustainability of Protected Areas and

Strategic Priority Two- Mainstreaming Biodiversity in Production Landscapes and Sectors, respectively). These two strategic priorities reflect current thinking in the conservation community of the imperative to both secure the global protected area estate while integrating biodiversity considerations into those sectors that provide an opportunity for biodiversity conservation and sustainable use to develop and persist within more far-reaching socio-economic processes.

7. In order to support these two main areas of investment, lessons learned from successes and failures in conservation and sustainable use of biodiversity are identified, disseminated and incorporated into future project design and implementation and this objective is supported through Strategic Priority Four-Generation and Dissemination of Best Practices for Addressing Current and Emerging Biodiversity Issues.

8. Strategic Priority Three (Capacity Building for the Implementation of the UN Convention on Biological Diversity Cartagena Protocol on Biosafety) responds to the recognition of the potential risks posed to biodiversity by living modified organisms and the high priority that recipient countries place on biosafety as well as guidance from the CBD and the Intergovernmental Committee for the Cartagena Protocol.

9. Indicators for success in meeting coverage and impact targets for GEF-3 within each Strategic Priority are also specified. These priorities were used to program GEF-3 resources in biodiversity and a progress report on the attainment of the associated targets is presented in the accompanying document presented to Council “Report on Meeting the Biodiversity Performance Measures by Fall 2004”. As noted in the Report, the Biodiversity Program is well on its way to meeting these targets for GEF-3.

10. While we agree with the need to further refine, clarify, and strengthen the Strategic Priorities and the utility of the impact and coverage indicators and their associated targets, we believe the Study failed to acknowledge that these efforts have already brought substantial strategic direction to the GEF Biodiversity Program during GEF-3.

11. The study also claims that the GEF still has not adopted a rationale or an objective system with clear criteria for prioritizing or balancing the portfolio based on where, when, what, and how the projects will be carried out. Some of these questions may be answered through the ongoing discussions on the GEF Resource Allocation Framework (RAF). We appreciate that the Program Study, consistent with the supporting documents for the RAF proposals, acknowledged that the historic GEF allocations in biodiversity *strongly reflect global biodiversity priorities*.

12. It is unfortunate that the Program Study did not fully reflect the challenge inherent to managing a portfolio of country-driven projects which, by its very nature, leads to a dispersion of portfolio-level impact. Rolling up project-level impacts to the portfolio level constitutes a challenge that the GEF biodiversity task force is actively addressing and the Strategic Priorities and the associated monitoring tools developed to monitor coverage and impact represent the first step in this direction.

13. We welcome the study's finding and recommendations to the Secretariat to move beyond just supporting and administering a loosely associated portfolio of projects to developing a more strategic, higher level vision that will enable the contributions of the GEF Biodiversity Program to build on its unique identity, experiences of more than a decade of operations, and to provide guidance and assistance to countries in making measurable contributions to the goals, objectives, and targets of the CBD. We recognize the challenge inherent to this task and contend that we are well on our way to fulfilling this charge.

#### **Measurable Impacts towards Biodiversity Conservation**

14. Demonstrating measurable impact on the status of biodiversity that results directly from project interventions is a key challenge for all of those that are involved in biodiversity conservation, including the GEF. In fact, it may be overly ambitious and perhaps naïve to expect that short-duration GEF projects (3-5 years) can have immediate and measurable impacts upon biodiversity given the simple biological fact that ecosystems and species respond slowly to resource management changes and, thus, measuring impact requires both time, patience and creativity. We agree that the GEF should continue to learn best practices and lessons from key partners, including multilateral and bilateral donors, international NGOs, and other institutions to further improve project and program levels impact indicators, procedures to establish accurate and meaningful baselines, and monitoring systems.

15. We agree that it is particularly important to develop a framework to enable "roll-up" of the achievement of outputs and outcomes at the project level to the program level. In this regard, we have taken important and major steps through building on and applying the results of the Office of M&E Working Paper 12, August 2003, "Measuring Results of the Biodiversity Program" in the formulation of measurable coverage and impact indicators and associated targets that were incorporated into the portfolio-level tracking tools developed to monitor and measure progress within each Strategic Priority for GEF-3. The application of these tools, as described in the "Report on Meeting the Biodiversity Performance Measures by Fall 2004" that has been submitted to Council, allows for "rolling-up" coverage and impact indicators from the project level to the portfolio level.

16. We agree with the Study that further improvements are desirable in this aspect of our work. As indicated in the study, setting up proper systems for monitoring and evaluating impacts of strategic project interventions in the field of conservation and sustainable development is a costly exercise (typically 10 to 15% of core budget costs). Thus, this finding emphasized the imperative to clarify the roles and responsibilities of the Office of M&E, GEF Secretariat Biodiversity Team, and the IAs on program- and project-level monitoring and reporting on impacts.

#### **Sustainability of Project Outcomes**

17. Innumerable factors influence sustainability of project outcomes, many of which lie outside the project boundary and management control of a typical 5-year GEF biodiversity project. In the biodiversity focal area, it may actually be unrealistic to expect sustainability of

results after such a short intervention. This honest statement is consistent with the findings of many reviews of sustainable conservation and development in general and is also reflected in the Office of M&E Working Paper 1, July 2000, “Achieving Sustainability of Biodiversity Conservation”. In this context, the study’s finding that important outcomes from the GEF biodiversity projects continue to be dependent on external financial, institutional, and technical support should not come as a great surprise.

18. However, this finding reveals a lack of appreciation of the challenge inherent to designing projects that, along with other activities outside of the project itself, make a substantive contribution to sustainable biodiversity conservation. It is extremely important to recognize that sustainable biodiversity conservation is a long-term process that is influenced by many factors and requires comprehensive changes in enabling environments, capacity building, political will, awareness and understanding, and, very often, financial resources for a longer time-frame than is provided for in a 5-year project cycle. Therefore, the proper question to ask is the following: what is the extent to which the project has contributed towards the long-term sustainability of the results? In other words, was the project designed and implemented keeping in mind the trajectory towards sustainability?

19. The GEF has operationalized this emerging understanding of sustainability in the biodiversity focal area through Strategic Priority Number One (Sustainability of Protected Area Systems), through which the GEF is providing support to build sustainable systems of protected areas that go beyond support to individual and often “systemically-isolated” protected areas, but in which enabling environments, capacity, and sustainable financing are targeted in more focused and systemic ways. Within Strategic Priority Two (Mainstreaming Biodiversity in Production Landscapes and Sectors), the GEF is seeking to catalyze mainstreaming through support for systemic and institutional capacity building while improving awareness and education among government agencies and other stakeholders. This is often being done through demonstrating mainstreaming.

### **Concluding Remarks**

20. The study identified a total of 43 recommendations, many of which are directed towards institutional issues such as GEF procedures and operational policies. It is useful that the recommendations are prioritized in term of importance and urgency so that the GEFSEC and the IAs are able to systematically look into their implementation and develop a realistic plan of action.

21. Although we have noted our differences with some of the findings that the Program Study reached, we find that many of the specific recommendations to the GEF Biodiversity Team (the GEF Secretariat and the IAs working as the Biodiversity Task Force) provide useful contributions to our ongoing strategic planning and programming work. In addition, the recommendations related to specific biodiversity technical issues are also most appreciated, such as advice on mainstreaming biodiversity and improving the use of the Management Effectiveness Tracking Tool for protected areas.

22. Many recommendations, however, are too narrow and prescriptive to be considered for immediate implementation. This management response suggests that the most effective way to address all of the important issues raised is for the recommendations to be systematically taken into account through the development of Strategic Priorities for GEF-4. This was the process used under GEF-3, which proved to be effective in terms of operational feasibility and impact at the portfolio level. In addition, this will allow us to build upon the solid foundation outlined in this Management Response and we suggest that this is a better way to operationalize most recommendations.

## **Annex 2: Management Response to The Climate Change Program Study**

1. The publication of the Climate Change Program Study represents a significant step forward in the documentation and evaluation of GEF's work in the climate change focal area. At the time of the first Climate Change Program Study undertaken in 2000, the portfolio was still at a relatively immature stage of its development—many projects had yet to begin implementation and the little experience that existed was largely in the form of proposals and work plans that had not left the drawing board. Since that time, the portfolio has grown and matured into one having significant implementation experience from projects on the ground. Most of these projects still face significant challenges in implementation, and the achievement of project goals cannot always be taken for granted. In this regard, the study team has made great progress in understanding the GEF's climate change portfolio. The description and analysis of the portfolio presented in this study is far and away the most complete and comprehensible overview of GEF's work in support of international efforts to combat climate change.
2. The study team argues that the theme of the GEF's work in the climate change focal area can best be referred to as that of "market transformation". While this term has normally referred only to one area of intervention in which the GEF is engaged (currently embodied in Strategic Priority 1), the evaluation team seeks to broaden the use of the term. Management believes that the use of the term in this context still fails to incorporate fully the challenges facing GEF in achieving its mandate. Much GEF work in both the energy efficiency and renewable energy fields focuses on creating and developing markets—as well as transforming them. The team's limited focus on market transformation creates a bias in the study: evidence of market transformation can be identified in the energy efficiency arena, but not in the renewable energy field. Because markets for inefficient goods already exist, they can be readily transformed into markets for efficient goods. In contrast, renewable energy markets need to be built from the ground up: they are incipient markets, often too young and fragile to be "transformed". In management's view, "market development" encompasses "market transformation", and therefore, provides a more accurate depiction of the GEF's approach to the climate change focal area as expressed by the Operational Strategy and Operational Programs.
3. The study also notes that there remains an unresolved tension between the long-term mission of transforming markets and the more immediate, concrete goal of reducing greenhouse gas (GHG) emissions. When they review estimates of the latter, (ie., the tons of GHG emissions reduced through GEF projects), the evaluation team concludes that the portfolio's performance is satisfactory when measured by this straightforward indicator of the avoidance of tons of CO<sub>2</sub> equivalent. In addition, the study team also reviewed a large body of project experience and provide ample evidence that the GEF's portfolio is stimulating the type of catalytic, learning experiences that make it valuable over the longer run. While they note that much has been achieved in the field of energy efficiency in terms of both learning experiences and tons avoided, they note the contrast with the renewable energy field, wherein the abatement is limited and the achievements are, at times, unclear.

4. The study suggests that the work of the GEF in the climate change focal area can be improved by sharpening its programming framework; clarifying its strategy; improving resource allocation; pinpointing the role of GHG abatement; improved sharing and harnessing the knowledge generated; and more clearly demonstrating impact. The GEF Management team intends to respond to all of these recommendations over the coming year.

5. The purpose of this note is to provide an indication of the nature of the Management Response to the conclusions and recommendations reached in the Climate Change Program Study. To date, there has been insufficient time to fully respond to the points raised by the evaluation. However, it is appropriate to indicate our plans to address them over the coming months, and to reserve the right to respond to specific elements at a later point in time. After a brief methodological caveat below, we will discuss our direct response to the recommendations of the Program Study Team.

#### **A Methodological Note**

6. The evaluation team chose to use tons of CO<sub>2</sub> avoided through GEF projects as an important quantitative indicator of the impact of GEF programming in the climate change focal area. The study team properly notes that the portfolio has always been caught in the tension between undertaking projects with immediate GHG emission-reduction benefits and undertaking projects with a greater potential for long-term impact through replication and learning effects, but with limited immediate GHG benefits. After much discussion, we believe that the study team has struck an appropriate balance. Reflecting this balance, the study team writes “This study is sensitive to the above arguments that GEF’s impact is primarily catalytic and long-term.” Except for the limited number of projects funded under the heading of Short-term Response Measures, GEF’s role has never been merely focused on reducing GHG emissions. The study team concludes that “The key question is how the GEF can maximize its comparative advantage of catalytic, innovative and incremental support in ways that change markets to more climate-friendly behaviors.” The GEF Focal Area Task Force confirms that this latter, catalytic role has always been the vision that the GEF has had for itself in the global effort to confront climate change. We remain reluctant to see the GEF’s role reduced to one of identifying the cheapest carbon reductions measured in narrowly defined terms. More recently, carbon finance and flexible mechanisms have dramatically reduced the demand for Short Term Response Measures. We consider this to be a positive trend, as it leaves the GEF relatively free to focus on its longer-term catalytic mission.

7. We concur with the study team that the most important role for GEF in the climate change focal area is to be a catalytic force—focused on innovation and learning—aimed at assisting developing countries to meet their sustainable development goals while protecting the climate, consistent with the principles of the UNFCCC. Although the study team understands the role of the GEF as a catalyst, there remains a significant risk that not all of those reading this report will understand that distinction or rather, will choose to maintain that distinction. Once some readers learn that the completed GEF projects have been estimated to avoid over 200 million tons of CO<sub>2</sub> equivalent including both direct and indirect effects, the risk is that the entire climate change portfolio will be reduced to and summarized by these numbers. Having been

involved in the estimation of these quantitative benefits, we understand how they can give a false sense of security that progress is being made, whereas the reality of developing markets for renewable energy and energy efficiency is quite complex. An abatement estimate, or a unit abatement cost, can easily become an end in itself. If given an unduly large emphasis, an unbalanced emphasis on these measures can eventually erode GEF's primary mission to serve the UNFCCC, jeopardizing its commitment to innovation, learning, and catalytic activities.

8. From our discussions with the evaluation team, we understand that measuring emission reductions is one important indicator of project and portfolio effectiveness. The Monitoring and Evaluation Working Paper 4 entitled "Measuring Results from Climate Change Programs" pointed out that estimates of carbon emissions avoided might be more appropriate and manageable as project-level indicators, rather than as program-level indicators. In fact, they proposed that seven program-level indicators would provide greater insights into the effectiveness of GEF's work through the Operational Programs. Unfortunately, these seven programmatic-level indicators tend to be qualitative in nature, and therefore, difficult to aggregate. This is one area in which the efforts of the Implementing Agencies, Executing Agencies, and GEF Secretariat will be redoubled—in developing and using indicators appropriate to the role of the GEF as an institution promoting learning, innovation and replication (see discussion below). But the efforts by the study team to document what has been learned at the programmatic level—apart from the GHG reduction estimates—show that they do understand and value the GEF's work in climate change beyond the mere estimate of GHG abatement. We remain concerned, however, that not all readers of the study will be equally as adept at comprehending this larger, more complex picture.

### **Response to Recommendations**

9. The study team makes 6 recommendations with respect to the GEF's work in climate change. While still considering the details of the management response to each finding and interpretation raised, GEF management will respond to all of the recommendations made.

10. **Recommendation 1** of the study team focuses on the strategic coherence of the climate change programming framework. The study team notes that the goal of GEF interventions needs to be clarified; the expected outputs, impacts, and respective indicators should be identified; the priorities within the programming framework need to be pinpointed; and effective approaches to monitoring these interventions need to be defined. The evaluation team is of the view that the existing Operational Programs can serve as the basis for continued work, but that the overall framework, priorities, focal technologies, and approaches to monitoring, obtaining feedback, and learning from the portfolio need to be clarified.

11. In response to this recommendation, the GEF Climate Change Task Force acknowledges that the programming framework needs clarification, fine-tuning, and in some areas, rethinking. We agree that the Operational Programs can continue to provide the basis for that programming framework, and that the requested clarification of strategic priorities within that broader framework is a welcome challenge. The thinking within the GEF climate change focal area has evolved on a continuing basis from the development of the operational strategy and programs to

the identification of clusters of similar projects, to the formulation of strategic priorities to increase effectiveness and impact. The thrust of these activities and their logical progression has been to constantly re-focus and to concentrate efforts so as to demonstrate impact more effectively, based upon feedback drawn from experience. Successfully clarifying our programming framework will improve our ability to communicate GEF's work to those outside the immediate GEF family and to formulate projects that have a greater chance of achieving their stated goals. We also acknowledge that certain policy issues—such as the mix and eligibility of technologies, the approach to carbon finance, and the value of on and off-grid renewable electricity—will have to be addressed in the process.

12. Too strict or narrow a strategic focus can preclude innovation, rather than encouraging it. There is also a risk that by concentrating efforts further, the opportunities for “country-drivenness” diminish. Cognizant of these and the many other pressures that must be managed, we accept the challenge of reformulating and fine-tuning our programming framework and priorities so as to present them in a coherent and comprehensible way. By doing so, we believe that we will increase both our transparency and our effectiveness.

13. **Recommendation 2** focuses upon strategic choice and resource allocation within the climate change program. The evaluation team recommends that the GEF's support to mitigation efforts should concentrate in countries that, as a result of higher GHG emissions, have more to mitigate. For countries with globally significant emission levels, GEF projects are liable to be numerous and substantial. In such cases, the country's portfolio should come to be viewed and managed as integrated programs. Although countries with limited emissions will have limited portfolios, they should still be explicitly managed to achieve explicit country-level priorities.

14. The Management Team acknowledges this recommendation and notes that the analysis of the evaluation team confirms that the current climate change portfolio is largely consistent with this recommendation. At present, taken as a whole, the countries with larger GHG emissions have more projects and larger projects than countries with lower GHG emissions. However, the study team notes some breaches of this rule-of-thumb in countries with moderate and lower levels of emissions, but without demonstrating why GEF activities in such countries constitute a problem. The implication is that if some countries have received a greater share of GEF resources than their emission level might justify, then other countries are deprived of support to their climate change mitigation efforts, leading to an inefficient allocation of resources. While any suggestion of an inefficient resource allocations must be taken seriously, the study has not documented evidence of inefficient allocations other than to point out the conclusion that such inefficiencies may exist. The study team itself concludes that no “administratively complex financial entitlement” system is needed. Rather, the study team recommends that “GEF retains flexibility in order to respond to opportunities where they arise”. In fact, this flexibility has served the GEF very well in the past. Larger countries have received larger resource allocations which have been prepared and approved in a well-reasoned manner to drive innovation and learning. The study team uses the case of China to prove this point. At the same time, it must be acknowledged that large emissions may occur in countries where fossil fuel costs are artificially low. As a result, the enabling conditions for a successful GEF intervention may not be met. However, smaller countries that were well-positioned either because of structural changes or the

correct enabling environment have also been used to demonstrate strategic approaches that could not have been feasible in larger countries. The study points to the cases of Sri Lanka and Hungary as positive examples of cases where significant GEF operations prove valuable. In these instances, GEF can target early market development opportunities where energy efficiency and renewable energy can gain a foothold in order to grow or accelerate future emission reductions.

15. The GEF management response is to take careful note of this recommendation and the associated caveats, and to encourage the development of a cost-effective, country-driven portfolio consistent with its constantly evolving programming framework. The study reminds GEF to bear in mind that the most promising mitigation opportunities are found in countries with highest GHG emissions. GEF management will continually strive to deploy GEF's resources in the most cost-effective manner, minimizing any likely inefficient allocations while also taking into account the strategic opportunities offered by facilitating low-GHG development paths in countries that do not presently emit large quantities of GHG's. Finally, it is worth noting that whatever decision the GEF Council finally makes regarding resource allocation frameworks will be used to define future resource allocations.

16. In **Recommendation 3**, the study team recommends that the GEF Secretariat provide explicit guidance regarding the realistic calculation of GHG abatement for use in project design and monitoring and evaluation.

17. Management accepts this recommendation. With all of the caveats made earlier about the pitfalls of reducing the complexity of GHG avoidance to a single number, the GEF Secretariat has worked with the Implementing and Executing Agencies and the GEF Office of Management and Evaluation to further develop an approach to estimating GHG emissions avoided through GEF projects (cf. GEF/C.24/3). This methodology has formed the basis not only for the evaluation of targets for the Third GEF Replenishment, but also for much of the estimation of GHG emissions avoided as part of the current program study. The methodology has been developed to pay attention not only to the direct GHG reduction benefits brought about by the investments stimulated under the project, but also, and more importantly, to take account for the indirect GHG reduction benefits brought on through replication, learning, improved enabling environments, development of markets, and improved access to finance. In this instance, the GEF methodology for calculating GHG benefits may differ from those adopted by other institutions but this approach appears more consistent with GEF's mission. As this methodology has been defined, tested, and refined over the past two years, the next logical step will be to publish it as a guide for project proponents. We fully expect to have this methodological guideline published by the end of the 2005 fiscal year.

18. **Recommendation 4** states that the GEF Secretariat, IA's, EA's, the GEF Office of Monitoring and Evaluation and STAP should work together on a strategic and pragmatic approach to capturing and sharing knowledge and information between projects; between in-country and headquarters staff; and through written, verbal and electronic means.

19. Management welcomes this recommendation and is eager to pursue knowledge management activities first throughout the GEF family and eventually beyond it to the rest of the world. We share with the evaluation team the favorable view of the knowledge management activities initiated by both UNDP and the World Bank's GEF team. We have been encouraged by the attention given to this topic by STAP over the past year. Over the coming year, the Climate Change Task Force hopes to work with all concerned parties to design a system of knowledge management that is concrete, strategic and suited to GEF's primary role as an institution committed to learning by doing and catalyzing innovative activities in pursuit of global environmental benefits. Management considers an active knowledge management program essential for the GEF to fulfill its mandate.

20. **Recommendation 5** follows closely upon its predecessor. In this recommendation, the study team recommends that the GEF Office and Monitoring and Evaluation should provide strategic support to improve the strategic coherence of the GEF programming framework in the climate change focal area. In particular, this help should extend to developing tools, guidance, and indicators to track progress toward achieving market transformation under the climate change programs and strategies.

21. Again, Management accepts this offer of assistance, and we view this recommendation as being closely linked both to Recommendations 1 and 4. If the GEF is to clarify its programming framework to better reflect its catalytic role in pursuing global environmental benefits, we should better communicate how we define how our goals are defined, progress toward those goals is tracked, and impacts are demonstrated. Management anticipates that such refinements and improvements will only help to sharpen the efficacy of GEF programming over the longer term, and will, therefore, seek additional resources and reallocate existing resources in order to improve knowledge management.

22. Finally, in **Recommendation 6**, the evaluation team suggests that the GEF should move towards a greater decentralization in project-by-project approvals based upon clear design principles. This decentralization is expected to lead to a greater focus on results.

23. Management is willing to explore different options to respond to this recommendation. Many pilots for decentralized decision-making are under way, and the results are constantly under review. Examples range from global framework projects—like the UNEP SWERA; the IFC Environmental Business Financing Program; and the UNDP/UNEP National Communications Support Program and the UNDP/GEF Small Grants Program. Several other models have been approved and others are under active consideration across the different focal areas of the GEF – Black Sea/Danube Investment Fund, Africa Stockpile Program, ECA Geothermal Fund, Mediterranean Investment fund, etc. All these approaches are still in their early development/implementation, but offer potential benefits such as lower transaction costs for individual projects and stronger mainstreaming potential due to linkages with the Agencies' country assistance programs. As a result, greater co-financing, strategic focus, higher profile for the global environmental agenda in country sector work, and stronger synergies between individual country projects could be expected. However, such approaches have to be balanced

with need to maintain high standards of quality overall portfolio focus that are expected of GEF interventions.<sup>1</sup>

### **Conclusion**

24. In summary, the GEF Climate Change Team has benefited from the experience of the climate change program study, and we very much appreciate the hard work that the study team has done. Without immediately commenting on all of the specific findings and conclusions of the study, management will respond to all of the recommendations made by the climate change program study team. Although the preceding pages provide some indication of what those responses will be, the precise details will take shape throughout the remaining years of GEF 3 and GEF 4. Management's expectation is that this process will begin with the fine-tuning of the programming framework which will provide the foundation for the next replenishment, and that fine-tuning should pave the way for clarification of remaining issues in the climate change focal area.

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<sup>1</sup> The Secretariat and the Implementing Agencies propose to undertake in early 2005 a review of GEF experience with such approaches to provide lessons for the project cycle streamlining exercise.

## Annex 3: Management Response to ~~GEF M & E~~ International Waters Program Study

### Introduction Summary

1. The GEF Secretariat and Implementing Agencies appreciate the effort made in conducting the International Waters Program Study, and are pleased ~~with of~~ the overall positive conclusions reached on the performance of the Focal Area. The Secretariat has taken note of the findings and welcomes the thoughtful recommendations on ways to further improve the quality of projects and the overall impact of GEF action in International Waters (IW), in particular concerning the need for enhanced oversight during project implementation, and for improved coordination within regional project clusters and Strategic Partnerships. Initial steps are already being taken to address these findings and recommendations and are noted under Initial GEF Actions to Address Recommendations.

2. This response also includes a suggestion on the design of future similar M&E exercises. In more general terms, it would be desirable that, as the GEF portfolio matures, future evaluations focus on the overall achievements with respect to the situation existing since the adoption of the Operational Strategy (1995), particularly with respect to the long-term series of GEF interventions in locations such as the Black Sea basin. We are confident that, in doing so, the significant impact of the GEF in general and of the IW focal area in particular towards achieving global benefits while promoting environmentally sustainable development will even more clearly emerge.

3. This response is presented in four sections covering: (a) Program Study Findings, (b) Program Study Recommendations, (c) Initial GEF Actions to Address Recommendations, and (d) Concluding Remarks. ~~The GEF Secretariat and the Implementing Agencies are supportive of the four recommendations contained in the Study. In fact, some of the concerns have been recognized earlier and actions/remedial measures have been proposed or are being tested to address them. These actions/measures are summarized under “GEF Actions” and include discussion of the central issue of resources being allocated to ensure quality of projects and collaboration where that makes programmatic sense.~~

### **Program Study Findings**

4. We are pleased with a number of the positive findings such as the acknowledgement of policy, legal, and institutional reforms that have been adopted by nations as part of international waters projects and the global scale of positive impacts that were found on virtually every continent. At the same time, we acknowledge that are concerned by the negative ones such as the lack of coordination among different GEF projects in the same geographic area and insufficient direct supervision by water-related specialists are areas of our work that we need to improve. that was identified as a result of project visits. A number of negative findings clearly need attention as proposed by the Recommendations. We agree with the diagnosis on project performance and the analysis that growth in numbers of projects over time has outstripped GEF

resources being devoted to supervision, technical support, and interagency coordination. This must be corrected if the full potential of the focal area is to be achieved.

5. ~~We do not agree with s~~Some of the characterizations ~~in the Program Study made in the boxes and text, which at times show a lack of appreciation of~~ seem to overlook the political realities faced in the ~~IW is~~ focal area ~~and or~~ the nature of the Operational Strategy for international waters. ~~GEF responds to country driven requests for projects, and Developing~~ substantial political commitment to ~~take~~ action ~~among many countries that share transboundary water systems~~ often ~~requires~~ a ~~considerable~~ ~~takes~~ investment of time. ~~to develop~~ For example, Box 3.1 of the Program Study presents criticism of a GEF project for a sub-basin of the Plata basin where only a few countries initially wanted to work together. We believe that this initial project produced the desired catalytic effect because all countries subsequently requested assistance to develop another project to work together at the level of the entire Plata basin. ~~This approach differs from what has been the approach suggested in the Program Study and we respectfully disagree with what the Program Study has proposed in this regard. For example, we believe that t~~The incremental approach ~~that the IW program has implemented of securing~~ approval of country-driven projects for portions of basins in which countries ~~actually~~ agree to work together is a pragmatic first step that ~~has proven to be effective. We also disagree with the findings regarding the~~ Likewise, ~~confusion may exist on page 22 with the~~ Alto Paraguay and Bermejo Basin ~~projects as both projects were eligible under Operational Program # 9 and situations regarding eligibility under Operational Program # 9. We believe that~~ global benefits did accrue from those projects because of the multiple focal area benefit ~~that arises from projects in this Operational Program nature of OP # 9~~

#### Program Study Recommendations

6. ~~The GEF Secretariat and the Implementing Agencies We~~ support most aspects of the four recommendations ~~and provide brief responses in this section.~~

7. ~~Recommendation One calls for production of a manual to clarify concepts, tools, and processes used by the focal area which echoes a similar observation made by . GEF responded to a somewhat similar issue from OPS2. GEF responded to this request and the results were # published by the Office of M & E as Working Paper 10, Monitoring and Evaluation Indicators for GEF International Waters Projects, November 2002. Using the existing product as a starting point, we could produce such a manual for GEF-4 that incorporates experience gained during GEF-3.~~

6.8. ~~Recommendation Two~~ calls for the GEF M & E system to be upgraded. ~~In the case of international waters, The~~ project level indicators ~~that were~~ included in M & E Working Paper 10 can be ~~used as simple and~~ objective indicators of progress in IW projects ~~and the~~ implementation of a ~~simple simple~~ M & E system reporting progress on those indicators in ~~the~~ three categories would be welcomed. ~~As part of any upgrading, GEF may be able to incorporate the reporting called for in M & E Report # 10 to replace the existing annual reporting guidance.~~

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9. Recommendation Three relates to the need for enhanced project supervision and oversight by Implementing Agencies and improved coordination through the international waters task force. GEF Implementing Agencies are beginning to recognize the problem of coordination among projects and existing shortfalls in supervision. New approaches are being executed programmed to address these issues by agencies in a limited number of test regions that were not covered in the is M & E Program Study such as in the five Sahelian transboundary river basin projects and the developing Agulhus-Somali Large Marine Ecosystem projects. Increasing project supervision and oversight of complex, multi-country projects is a needed investment to improve project and portfolio performance. However, it should be noted that this will increase costs to all parties involved in the projects: the Implementing Agencies, the on-the-ground Executing Agencies, and even perhaps the GEF Secretariat.

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7-10. Implementing R Recommendation Four would enhance the role of the international waters task force and we welcome this suggestion. However, it is necessary to note that -It now has no funding, and additional administrative resources for IA IA participation in task force corporate activities may be needed to undertake the proposed work. While the task force has an annual work plan, the tasks are greater than the human and financial resources allocated by GEF resulting in missed opportunities to improve portfolio performance., so opportunities are missed.

11. In sum, we welcome the constructive nature of the recommendations provided and their focus on improving performance. The IW program is unique within the GEF in that the portfolio is replete with large, complex, and politically sensitive multicountry projects, which entail higher operational costs for supervision and management. Unfortunately, these costs are currently not being adequately supported through existing funding arrangements. It would be regrettable if implementation of some of the recommendations of the Program Study to strengthen project oversight were curtailed for lack of resources and we propose to suggest some approaches for overcoming this budget shortfall as part of the GEF-4 programming document. The study of IA fee utilization included in this recommendation would be essential to deal with the suspected lack of resources for supervision in this focal area that are needed because of the large, complex and politically sensitive nature of multicountry projects. Summaries of International Waters Task Force meetings reflect the discussion of lack of resources with management staff of Implementing Agencies, and UNDP management did join task force discussions last year to express (and since follow through on) commitments to remedy the situation.

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#### **Initial GEF Actions to Address Recommendations**

8.12. We will GEF and Implementing Agencies would undertake the work of producing the proposed manual included in Recommendation One. In the interim, M & E Report Working Paper 10 will ould serve as a stop-gap measure. A training course on the TDA/SAP process and the focal area has been under development for two years and its final design took place October 3-8, 2004. This course and its modules will be utilized in the training of new project staff, governments and technical experts to address deficiencies in the understanding of the TDA/SAP approach that have been recognized since OPS2.

~~9-13.~~ As part of the GEF wide upgrading of its M & E system, We propose that the indicators framework included in M & E Report # 10 ~~be used may be proposed for inclusion~~ to provide a simple, readily understood framework for reporting and assessing implementation progress on individual projects consistent with Recommendation Two.

~~10-14.~~ Recommendation Three involves regional level coordination and enhanced annual supervision so that projects actually accomplish what the project briefs indicate they intend to accomplish. In the case of UNDP, resources in terms of half-time staff in international waters in three regions are being added to remedy the situation. Regarding regional coordination, ~~it may be useful to note that~~ a cluster of 5 new international waters projects in the Sahel, ~~and one~~ cluster in East Africa have all been prepared with additional resources dedicated to coordination. Each project has allocated specific resources to support and a requirement for collaboration among the projects, ~~in the logframes that has resources associated with it Based on recent experiences,~~ GEF is committed to continue to program ~~such~~ coordination resources in current and future projects.

15. Two new IW projects in the November Fall, 2004 Council work program ~~were recommended with the suggestion that allocate~~ additional supervisory resources to support in terms of annual technical assistance missions, be added to address the need for additional supervision For example, the Gulf of Honduras project in the work program contains a specific linkage component to the adjacent Mesoamerica Barrier Reef biodiversity project and an output is reflected in the logframe with associated resources. Regional coordination has also been included as a feature in Strategic Partnerships as was done with the Danube/Black Sea Partnership, although the Program Study identified limited success in this specific instance. An upcoming "stocktaking" meeting in mid-November 2004 provides an opportunity to assess why this has not worked as well as originally envisaged and lessons learned from this experience will be integrated into future project designs.

~~11-16.~~ ~~This feature was specified in the~~ We welcome the recommendation's suggestion that the IW task force add "oversight" of coordination requirements to its work. However, as noted previously, resources to support additional task force activities and parts of Recommendation Three will be required.

~~16-17.~~ ~~We acknowledge the need to Recommendation Four on a~~ redefine it ~~on~~ the work of the international waters task force to ensure that GEF would be in a position to maintain a globally coherent focal area, as noted in Recommendation Four. However, force is related to Recommendation Three. With additional corporate resources may be required to undertake the suggested elements of the Recommendation., GEF would be in a better position to maintain a globally coherent focal area.

### **MethodConcluding Remarks**

~~13-18.~~ As we have noted above, we found the recommendations that were generated by the Study to be constructive and we appreciate their focus on improving performance. We believe that in the future the analysis of the focal area could be improved through a more fluid

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engagement and exchange of opinions between the technical experts in IW and the Office of M&E. In those instances where there is a strong disagreement on an aspect of the analysis, a side by side comparison of the different views could be presented as part of the text of the Program Study. Future M & E studies may be improved by interviewing the Implementing Agencies and the GEF on questions that may come up as part of the analysis. A recommendation is offered for future M & E studies to include interviews with the GEF and Implementing Agencies as part of fact finding to add to any analyses being undertaken. A side-by-side comparison of different views could then be included in the analysis. We We would also like to suggest that GEF also suggests that future evaluations of operational programs focus on the objectives of each operational program so that expectations on outcomes in the International Waters Focal Area can be judged in light of the by-approved objectives of the Focal Area's operational programs which that are quite modest in this focal area due to both multi-country complexity and the relatively modest only modest financial resources being invested to achieve these objectives.-