

GEF Council Meeting
November 10 – 12, 2009

Agenda Item 8

**MANAGEMENT RESPONSE TO THE GEF ANNUAL REPORT
ON IMPACT - 2009**

MANAGEMENT RESPONSE TO THE *IMPACT EVALUATION OF GEF ASSISTANCE TO THE PHASE OUT OF OZONE DEPLETING SUBSTANCES IN COUNTRIES WITH ECONOMIES IN TRANSITION*

1. This is the management response to document GEF/ME/C.36/Inf.3, *Impact Evaluation of GEF Assistance to the Phase Out of Ozone Depleting Substances in Countries with Economies in Transition*, undertaken by the GEF Evaluation Office. The overall objective of the Impact Evaluation was to evaluate the impact of GEF financing in the Ozone portfolio of projects on the phase-out of Ozone Depleting Substances (ODS) in Countries with Economies in Transition (CEITs), with the following five sub-objectives: (i) To evaluate the impact of GEF Ozone portfolio investments in CEITs to reduce ODS production; (ii) To evaluate the impact of GEF Ozone portfolio investments in CEITs to reduce ODS consumption; (iii) To assess the sustainability of GEF investments in terms of maintaining ODS phase-out in CEITs; (iv) To assess the extent to which the GEF investments catalyzed further changes in behaviour and the decisions of stakeholders, in particular the private sector; and (v) To compare these parameters with a limited number of projects on the phase-out of ODS in countries funded through the Multilateral Fund.
2. We are in full agreement with the recommendations emerging from the review, and consider them to provide a sound basis for further development of the Ozone Layer Depletion Program. Some of the conclusions of the review can be interpreted from slightly different perspectives, however.

CONCLUSIONS

- Conclusion 1: GEF support for the phase-out of the consumption and production of ozone-depleting substances in countries with economies in transition has made a contribution to global environmental benefits
3. We are pleased with this conclusion. We would further note that the GEF interventions have in fact addressed the “high hanging fruits” – i.e. the ODS that were still in production or use after the economic downturn following the collapse of the Soviet Union. We would also emphasise that the potential phase-out is much higher than the actual phase-out, since in decoupling ODS production/consumption from GDP growth, the GEF in fact prevented production and use of ODS in CEITs from reaching the much higher levels of the late 1980s.
 4. Regarding “impact drivers,” we concur with the joint importance of “government commitment” and “private enterprise commitment” as a condition for success. We are also pleased to see that GEF operations have been very efficient in phasing out ODS as measured in amounts phased out per year per dollar. With regards the reported slightly higher cost-effectiveness than comparable “matched countries,” we think a better explanation, as explained above, is that the GEF was put in the position of having to address the “high hanging fruits” only in terms of ODS targeted for phase-out.

- Conclusion 2: Legislative and policy changes supporting ODS phase-out provided a foundation for success and ensured sustainability

5. We fully agree with this conclusion. GEF programs, for example with POPs, continue to address investments for release reduction together with the development of an enabling environment that promotes sustainability.

- Conclusion 3: The private sector commitment to ODS phase-out was a critical driver for the success of the GEF investments in countries with economies in transition

6. We welcome this conclusion. The involvement of the private sector in the ODS program through “efficiently executed” sub-projects serves as one example of how the private sector can be successfully mobilised.

- Conclusion 4: Illegal trade threatens to undermine gains in ODS reduction in the non-European Union countries with economies in transition

7. We fully agree with this conclusion, and illegal traffic is addressed in the draft GEF-5 strategy for chemicals. In fact, the recent progress in addressing illegal traffic noted by the Impact Evaluation in such countries as Kazakhstan and Uzbekistan can be attributed at least in part to the support provided by the GEF for institutional strengthening in these countries. We would point out also that to the extent that the Montreal Protocol allows for the use of ODS, such as CFCs for servicing, there is a legal market for CFCs, and therefore potential for illegal traffic.

- Conclusion 5: Halon recovery and banking has been neglected in the non-European Union countries with economies in transition

8. Whilst we would not dispute the conclusion that halon recovery and banking might have been the least effective of the GEF ODS programs, we think the conclusion must be put into context. In general, halon recovery and banking has proven one of the most difficult activities to implement in industrialised and developing countries the world across.

9. Regarding the example of the Russian Federation cited in the report, the Implementing Agency for the project, the World Bank, points out that the issue was not that of “procurement procedures,” but rather that there were no eligible sub-projects for funding, as there was low demand for halons and a lot of available halons, mostly from military installations. Therefore any halon recovery and banking project would not have been sustainable and would have failed.

10. We note the limited halon monitoring said to have taken place in the non-EU-CEITs, and will address this with the Agencies in the context of the existing institutional strengthening project for the Central Asia CEITs, or in the framework of future GEF-supported projects under consideration to address HCFC phase out in the CEITs.

- Conclusion 6: In some countries the National Ozone Units ceased to function after GEF support ended and this may prevent measures being put in place to address the remaining threats to the ozone layer

11. Recognising this to be an issue, an MSP was funded at the beginning of GEF-4 for the least industrialised of the CEITs in Central Asia and the Caucasus. Reversing the long standing policy that the GEF would not directly support funding for ozone units would require a Council decision.

12. Regarding the “administrative barriers to disbursement” referred to in paragraph 32, the Implementing Agency, UNEP, notes that these were due to a combination of factors, both at the level of enhanced international fiduciary control requirements, and national level response to these adjustments, and that the situation is now resolved. To date all country grant agreements have been completed, and disbursements sent through for all but one country.

RECOMMENDATIONS

- Recommendation 1: The GEF should consider further investment and capacity development to assist countries with economies in transition to address the remaining threats to the ozone layer

13. We fully agree with this recommendation. Continuing support to eligible CEITs to meet Montreal Protocol obligations should continue to be a cornerstone of GEF programs, and it is one of the three objectives proposed for the GEF-5 chemicals strategy. Regarding destruction specifically, we would note that this is not an obligation under the Protocol, and that the policy discussions under the Protocol have only recently progressed. In view of the costs and uncertainties involved, we believe support should be provided on a pilot basis and in coordination with other GEF programs dealing with hazardous waste, notably POPs and International Waters.

14. The need to continue capacity development is noted, with the caveat mentioned above.

- Recommendation 2: The GEF should learn from the positive private sector engagement in the reduction of Ozone Layer Depletion focal area and incorporate similar approaches into its efforts to engage the private sector in other focal areas

15. We fully agree with this recommendation, although again some context is necessary. There is strong engagement with the private sector because this is where the majority of the ODS consumption/production lies; there is no parallel in any other GEF focal area to this situation. We also agree in general with most of the “lessons for consideration” that are proposed, although their actual applicability would have to be assessed in detail.