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GEF ANNUAL REPORT ON IMPACT

(Prepared by the GEF Evaluation Office)

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I. Overview of Impact Evaluation Work in 2010

This document is the fourth Annual Report on Impact presented by the Evaluation Office of the Global Environment Facility. Through this report the Office presents a summary of the findings and conclusions of the impact evaluations completed during the reporting period; and, the progress made on the ongoing impact evaluations, methodological developments, and other related efforts.

The period since the last annual impact report has been a transition year as a new impact evaluation team took charge. The team is building on the methodological advancements – such as the Review of Outcomes to Impact (ROtI) methodology – made by the earlier team. With completion of the Fourth Overall Performance Study (OPS4) of the GEF, the focus of the impact evaluation work has now shifted to planning and undertaking evaluations that would feed into the Fifth Overall Performance Study (OPS5).

The major product of the year was the evaluation of the impacts of a cluster of five GEF biodiversity projects in Peru. The evaluation aimed at assessing the impact of the GEF support on biodiversity and environmental stress reduction; and, the socioeconomic status of local communities, particularly indigenous groups who depend on biological resources for their livelihoods. The evaluation had following key conclusions:

- The GEF has been a key contributor to biodiversity conservation in and around protected areas;
- The GEF projects are partially equipped to sustain improved alternative livelihoods for communities; and,
- There is limited evidence of intended impacts and global environmental benefits.

The evaluation called for better coordination among the monitoring and evaluation projects in the biodiversity focal area so that the baseline information constrains are addressed at a systemic level. It also identifies the need to address potential tradeoffs that arise from conservation and sustainable use of biodiversity resources through community based approaches. Section two of this report covers this evaluation in greater detail.

In 2010 the Evaluation Office initiated an impact evaluation on the International Waters focal area to assess impacts of the GEF activities in the South China Sea and Adjacent Areas. The evaluation is a follow-up to the OPS4 recommendation that an in-depth assessment of progress towards impacts be carried out in the International Waters focal area. The objective of this impact evaluation is to analyze the extent to which the GEF contributions have led to or are likely to lead to changes in policies, technology management practices, and other behaviors that will address the priority transboundary environmental concerns that affect the socio- economic and environmental services of the South China Sea, the Gulf of Thailand, and the surrounding areas.

A technical advisory group (TAG) was constituted to provide quality assurance support on methodological, scientific, and technical issues. A reference group, which represents institutional stakeholders of this evaluation, was also constituted to provide feedback and support, and to facilitate uptake of and follow up on the evaluation findings and conclusions. The draft approach paper for the impact evaluation on the South China Sea and adjacent areas was prepared with inputs from the TAG and

the GEF International Waters Task Force. It was shared and discussed with the reference group in a meeting held in September 2010 at Bangkok. The feedback of the reference group has been incorporated in the evaluation approach. Information gathering for the evaluation is presently under way. The final evaluation report is expected to be available in April 2012 and will be presented to Council in the Annual Impact Evaluation Report 2012.

During the reporting period the Office continued its work on developing the theory based approaches and the ROtI methodology, and applying them in the evaluations undertaken by it. The OPS4 experience on impact assessment, where these methodologies had been applied, was presented by a senior consultant – who had led the impact evaluation team before his retirement – at the Annual General Meeting's Evaluation Practice Exchange in May 2010 in Vienna. The ROtI methodology has been taken up in the Country Portfolio Evaluations of the Office, and in the coming months the performance team will consider the consequences of the methodology for the guidelines of terminal evaluations of GEF projects.

The Office continues to be an active participant in the impact evaluation related networks such as the Network of Networks on Impact Evaluation (NONIE) and the impact evaluation task force of the United Nations Evaluation Group (UNEG). In March 2010 the Office participated in the NONIE meeting in Bonn where various approaches to impact evaluation were discussed. As a member of the UNEG, the impact evaluation team of the Evaluation Office is participating in the activities of the impact evaluation task force, especially the sub groups on 'attribution in multi-stakeholder interventions or contribution analysis' and on 'joint evaluation'.

II. Evaluation of the Impacts of GEF Biodiversity Projects in Peru

In 2007, the Evaluation Office initiated an impact evaluation of GEF support to biodiversity in Peru, particularly of GEF projects implemented through the World Bank. Peru was selected due to the country's large level of GEF support, lack of evaluations that examine the role of local communities, and the opportunity to advance the ROtI methodology by applying it at a cluster level. In addition, the integrated country-level evaluation of Peru, piloted by the World Bank Group's Independent Evaluation Group (IEG), provided the national context to evaluate the impact of several projects over several years.[1]

Context

Peru is among the most biodiverse countries on earth and it also has a wide range of tools and laws that establish protected areas and protect biological resources (CONAM 2001). Despite economic expansion over the last decade, over 40% of Peru's population lives in poverty (IEG 2009, ECLAC 2000). Most of Peru's poor belong to indigenous or rural communities; a high proportion of indigenous citizens are considered poor, and half live in extreme poverty (ECLAC 2000). These communities generally live in and/or adjacent to protected areas. Protected areas have been created on traditional indigenous lands and this has created conflicts among local communities and protected areas authorities and conservation organizations. The GEF has supported efforts to address these tensions. Most of the World Bank implemented GEF biodiversity projects in Peru include activities to improve livelihoods for local communities, including indigenous people, and participatory approaches to conservation.

[1] The IEG evaluation was presented to the World Bank Committee of Development Effectiveness (CODE) in September 2010, which included inputs from the GEFEO evaluation.

Objective and Methodology

The evaluation addressed two main questions:

- What impact has GEF support had on biodiversity and environmental stress reduction?
- What impact has GEF support had on the socioeconomic status of local communities and, in particular, indigenous groups who depend on biological resources for their livelihoods?

To answer these questions, the evaluation selected five biodiversity projects for in-depth analysis and utilized "mixed methods" and "theory based" approaches, including a ROtI analysis to assess impact of this project cluster (see annex 1 for the list of these projects). The EO developed, and tested through this exercise, a project cluster theory of change (TOC) based on the ROtI methodology that defines the logical sequence of conditions and factors needed to achieve cluster impact. The selected projects were completed or nearly completed GEF biodiversity projects that had been implemented through the World Bank Group, as a GEF Agency, and were part of the aforementioned IEG integrated country-level evaluation. The selected projects also included livelihood improvement of local communities as an objective.

Findings and Conclusions

The GEF has been a key contributor to biodiversity conservation in and around protected areas

The GEF has contributed to the establishment of the long-term financing mechanism for the Peruvian National System of Protected Areas (SINANPE). The five projects have successfully generated a catalytic effect through participatory models for protected area management, demonstration projects, and livelihood improvement efforts. The evaluation found support for the OPS4 conclusion that full achievement of potential environmental benefits requires that projects be designed "to ensure local ownership, continued government support, and ongoing availability of funding after project closure" (OPS4 2009).

The evaluation concluded that long-term funding for management of priority protected areas was *likely because of institutional sustainability of the funding mechanism (PROFONANPE)*, but noted that additional funds must be identified as recurring costs because many SINANPE areas lack sustained funding. In addition, substantial gaps often exist between actual and optimal funding levels – only 13 % of SINANPE's protected areas have established a financial plan. The evaluation pointed out that each protected area should develop a business plan with a diversified funding base.

The evaluation found that the participatory management model for Peru's protected areas is likely to be sustained and replicated. Long-term use of this model, however, would require institutionalization at the national level within PROFONANPE and the Peruvian Protected Area Authority (SERNANP), as well as continued collaboration and support from local actors. The participatory management model has benefited from the substantial advances made over the last 15 years in Peru's natural resource and protected areas legal framework. The country has one of Latin America's most advanced protected areas policy systems. The evaluation also found that Management Committees and other protected areas mechanisms have integrated stakeholder participation into the policy framework and reserve management.

In addition, the establishment of Peru's Environment Ministry (MINAM) and Protected Area Authority (SERNANP) in 2008 represented an essential step in the development of national institutional capacity. MINAM arose out of efforts by civil society and multilateral institutions. Prior to MINAM's establishment, projects lacked continuity and institutional knowledge as they were managed in a piecemeal fashion out of the Ministry of Agriculture. Project mechanisms and structures were lost once funds ran out.

Although Peru regulates resource exploitation, gaps in the current laws constitute an important obstacle to effective protected area management. For instance, SINANPE lacks overall guidelines on control and enforcement for different types of protected areas. Most projects studied involved activities to strengthen control and enforcement, but enforcement remains difficult in many areas due to long distances, rough terrain, and a lack of needed control equipment. Another factor that contributes to weaknesses in control and enforcement is the fact that only 65% of SINANPE protected areas have park rangers, most of whom are based in only a few protected areas. Finally, although a national monitoring and evaluation system on biodiversity and natural resources was initially established, it was not sustained.

The evaluation found that various commitments from the Peruvian government are essential to sustaining recent biodiversity progress. While Peru has made substantial strides in establishing a legal and institutional framework for protected areas and conservation of biodiversity, these institutions need to be strengthened. The evaluation highlighted the need for further investment in two areas. First, the evaluation pointed out a need for enhanced knowledge management, focused in particular on building knowledge of SINANPE's financing and technical capacity to implement alternative livelihood activities. Second, the report noted the need for a central monitoring and evaluation system.

The evaluation reiterated the importance of linking development efforts to biodiversity and conservation efforts and maintaining a commitment to fledgling programs until they are self-sustaining. The evaluation also pointed out a need for the prioritization of regulation of extractive industry, control of natural resource overexploitation, and mainstreaming biodiversity conservation into other sectors.

The GEF projects are partially equipped to sustain improved alternative livelihoods for communities

The evaluation found that the GEF projects' sustainable economic activities model has been replicated at the national level and is likely to be sustained. However, it also concluded that at the local level this model has achieved only partial success in replication and long-term sustainability, despite the positive perception of local communities. All interviewees perceived that their livelihoods have improved since the last decade and many feel that physical goods and infrastructure provided by subprojects have contributed to increased income. In addition, many interviewees perceived that alternative livelihood subprojects have contributed to improvements in gender participation, health, education, community relations, and institutional strengthening.

Despite these perceived benefits, the evaluation noted several project weaknesses. It found that most projects failed to adequately address clarification of land titling and tenure; thus, implementation of several of them was delayed. Many projects also failed to implement measures meant to bridge disagreements between indigenous people and conservation groups. In addition, the evaluation concluded that access to biodiversity markets is unlikely at present for most projects; some sites have not yet

generated any marketable environmentally friendly products. In some cases, projects may focus too strictly on establishment of protected areas and ignore rural development and agricultural issues.

While local ownership of biodiversity conservation activities was critical to sustaining results, the evaluation could not conclude that all project sites have achieved local ownership of activities. However, Management Committees, a tool born of and supported by the project cluster, were found to sustain biodiversity conservation activities by bringing participatory management to local communities. Strengthened commitment to local ownership would require clarification of land tenure, demonstration of benefits (i.e., improved livelihoods), and broad community participation (that includes women and children) in alternative economic activities.

There is limited evidence of intended impacts and global environmental benefits

The evaluation found limited evidence of improvement in biodiversity status. While national environmental indicators were unavailable, data from two sites indicate that most monitored biodiversity global environmental benefits have been declining. Perceptions on the health of biodiversity vary, but generally indicate a decline. The evaluation also found that natural resource exploitation and degradation are occurring at a faster pace than conservation activities. A lack of information on biodiversity status is one of the main challenges to tracking progress towards impact and global environmental benefits. The absence of a national baseline or monitoring and research program prevented the evaluation from finding evidence of national level improvements in biodiversity or reduction in threats to biodiversity. This information gap also thwarts efforts to plan and identify priorities for future programs. While 14 different biodiversity monitoring and evaluation projects had been implemented by 2006, their usefulness is limited as the systems are uncoordinated and each system is designed to meet the specific information needs of its own project.

Assumptions that are challenged by the Evaluation Findings

The evaluation found that, given the experience of the five projects in Peru, the following assumptions may need to be reexamined when developing future projects:

- *Existing environmental policies and their monitoring and enforcement in other sectors are still inappropriate for encouraging biodiversity conservation in Peru.* Yet the establishment of MINAM suggests otherwise.
- *Local governments remain politically and financially strong to tackle threats to biodiversity*. Several project implementation and completion reports suggest otherwise.
- *Communities are interested in conservation of biodiversity and sustainable use of its elements and are committed to conservation*. Usually livelihood benefits are associated with conservation activities. However, in some cases, communities see conservation as limiting their access to natural resources and thus income.
- *Improved biodiversity reduces threats to livelihoods and improved livelihoods reduce threats to biodiversity*. An additional assumption may need to be considered alongside the two previous assumptions; tradeoffs may be necessary in some cases, as conservation can disproportionately affect the poor and hinder poverty reduction efforts. Conversely, in cases where communities perceive improved livelihoods, threats to biodiversity have not necessarily been diminished.

- *Demographic change (immigration and growth of local populations) occurs at a level that does not negatively affect biodiversity.* Yet some interviewees indicate that the population has increased significantly in some areas and a higher portion of the population depends on extraction of biological resources (for example, in mangrove ecosystems).

Areas that need further attention

The evaluation identified two additional areas that need further attention from GEF:

- Consider making capacity development for national biodiversity monitoring and evaluation systems a strategic priority.
- Consider developing policies or guidelines on possible tradeoffs that arise from conservation and sustainable use of biodiversity resources (such as with land titling or community-based approaches).

III. Progress on Impact Evaluation of the GEF Activities in the South China Sea and Adjacent Areas

The Fourth Overall Performance Study (OPS4) assessment of likely impacts in the focal areas was built on assessments of individual projects. This turned out to be problematic in the case of the International Waters focal area, where projects need to be understood in a wider context. For this reason, OPS4 recommended that an in-depth assessment of progress towards impacts in the International Waters focal area be undertaken to address this gap.

The South China Sea (SCS) and adjacent areas are known for their rich biodiversity and natural resources. Forty years of rapid economic growth in the region, however, have resulted in growing coastal habitat destruction, increased pollution, and overfishing, and now threaten the sustainability of the social, economic, and ecological services that these water bodies provide. The region also has a legacy of territorial disputes. These features make addressing the international waters transboundary environmental concerns both important and challenging.

Since 1993, the GEF has allocated over 180 million USD through 41 projects in the South China Sea (SCS) and adjacent areas. These projects include: 22 IW regional or national projects; 8 global IW projects that operate in the SCS; and 11 projects in other focal areas. The SCS and adjacent areas' project cluster was selected for evaluation because, in addition to GEF's sizable investment and years of engagement in the region, lessons from this evaluation are likely to apply to other international bodies of water shared by developing countries.

GEF Approach to International Waters

The GEF helps countries work together to secure a wide range of economic, political, and environmental benefits from shared surface water, ground water, and marine ecosystems by fostering international cooperation and catalyzing action on priority transboundary water concerns. The GEF normally initiates its engagement in an IW area with **foundational** activities to strengthen the knowledge base, institutional capacities, and regional decision-making processes. As participant countries increase their commitment to

addressing priority transboundary concerns, GEF also increases its support in the form of **demonstration** projects that test approaches and technologies and seek to catalyze further action to address problems. GEF support also comes in the form of **investments**, which replicate, up-scale, and/or mainstream approaches to transboundary concerns. Though this sequential approach is followed as an ideal, the GEF has also been open to undertaking opportunistic projects that may not follow a sequential order but are justified because of the global environment benefits that they may provide on their own.

Objectives of the Evaluation

The main objective of this evaluation is to analyze the extent to which the processes, knowledge, technologies, and capacities to which the GEF contributes have led to or are likely to lead to changes in policies, technology, management practices, and other behaviors that will address the priority transboundary environmental concerns that affect the social, economic, and environmental services of the SCS, the Gulf of Thailand, and the adjacent areas. The key questions for the evaluation are:

- To what extent has the GEF support been relevant to the transboundary environmental threats in the SCS, as well as to the action plans, priorities, and strategies that countries in the area have adopted to solve environmental problems?
- What effects (positive or negative) have GEF support had on country and regional efforts and achievements in addressing transboundary environmental concerns?
- What are the critical factors (internal to the GEF and in the context in which GEF support takes place) that affect the likelihood of GEF support leading to reduction of transboundary environmental stress and improvement of environmental and socioeconomic status?
- What can be learned from the successes and failures of GEF supported interventions that would be applicable in the SCS and elsewhere?

Evaluation Approach, Scope, and Limitations

The GEF Evaluation Office has experimented with several methods and approaches to impact evaluation, including “theory of change” based approaches and quasi-experimental approaches. This evaluation will build on the past efforts and experiences of the Office. The approach will give special attention to the extent to which interventions are cast at the appropriate scale, the extent to which they take into account the lag time between intervention and natural system response, and the ways in which complex socio-ecological systems affect impact paths. The evaluation will be carried out in three phases.

The first phase will consist of the development of the “theory of change” for the clusters of GEF supported projects in the South China Sea and the surrounding areas. This will help assess progress towards impact.

The second phase will consist of data gathering. Using the IW theory of change as a heuristic tool, the evaluation will collect and analyze data along three distinct lines of inquiry:

- Portfolio analysis to provide a broad picture of GEF support at the regional, national, and local levels, and to map out GEF interventions and their respective outcomes.

- Examination of the regional dimensions of GEF support in the SCS including: the transboundary environmental trends; the regional institutional context of GEF support; and the progress made in governance architecture (regional, national, and local) to address the transboundary concerns of the SCS.

- Thematic and country case studies will assess the effectiveness of the various GEF approaches to transboundary environmental concerns, as well as the country factors contributing to or hindering transboundary impact.

The third phase will consist of data analysis and synthesis. It will focus on assessing: stress reduction achievements and transboundary significance; the steps needed to ensure the sustainability of the social, economic, and ecological services provided by the South China Seas; and the likelihood of permanent environmental service degradation. It will also identify corrective intermediate steps or actions for GEF or other actors.

The evaluation is likely to encounter constraints, such as gaps in data and scientific knowledge and an inability to establish counterfactuals. The evaluation would use the model of the GEF IW approach merely as a framework to organize and analyze information pertaining the various projects and clusters of projects under review. The analysis would nevertheless begin by assessing the actual processes, steps and results reached by projects and clusters of projects. The evaluation would also take into account the non-linear causality and feedback loops in the processes analyzed.

Products of the Evaluation

The work undertaken for this evaluation will lead to distinct products, such as technical papers, databases, and case studies. Knowledge products will be further defined during the evaluation with stakeholder input. The main purpose of knowledge products will be to make findings of the evaluation easily available in ways that are useful for stakeholders. They will also be posted on the GEF EO website.

Stakeholder Involvement

The evaluation will draw on a technical advisory group (TAG), the established GEF IW task force, and a reference group as vehicles for input from stakeholders and to support the evaluation. All these groups will: provide comments on the drafts of the approach paper and evaluation report; provide suggestions on ways in which the evaluation could be more useful to operations; help the evaluation team establish contact with appropriate project managers and relevant country counterparts; and help identify and facilitate access to information.

The **TAG**, which has already been formed, consists of six scientific and technical specialists with expertise in International Waters and/or evaluations. The TAG also provides quality assurance support on methodological, scientific, and technical issues. The **IW Task Force,** which consists of IW focal area coordinators from 10 GEF agencies, the GEF Secretariat, and the STAP, will also provide input into the selection of knowledge products, and will facilitate the ongoing communication with the GEF Agencies on the evaluation. The **Reference Group,** which has also been formed, consist of about 25 persons, including representatives from the GEF Secretariat and GEF agencies, key staff involved in the execution of the GEF projects in the South China Sea, and some non-GEF stakeholder institutions. In addition to the

responsibilities that it shares with the other groups, the Reference Group will play an important role in the follow up on the evaluation.

Progress so far

A draft approach paper for the evaluation was prepared incorporating inputs from the TAG and the GEF IW task force. The approach paper was shared with the reference group in a meeting organized in Bangkok in September 2010. The feedback and comments received during this meeting are being incorporated in the evaluation approach. The evaluation team has started gathering evaluative data in the field. The final evaluation report is expected to be available in April 2012 and will be presented to Council in the Annual Impact Evaluation Report 2012.

Annex 1

List of Projects reviewed for the evaluation of the impacts of GEF biodiversity projects in Peru [2]

Project	Type of Project	GEF support (US$)	Co-financing (US$)	Executing agency
1. National trust fund for protected areas (Trust Fund)	FP	5,000,000	2,861,000	Agency for the National Fund for Protected Areas (PROFONANPE)
2. Participatory Conservation and Sustainable Development with Indigenous Communities in Vilcabamba (Vilcabamba)	MSP	727,075	415,000	Conservation International
3. Indigenous Management of Protected Areas in the Amazon (PIMA)	FP	10,000,000	14,000,000	National Institute of Natural Resources (INRENA) and Ministry of Social Affairs (PROMUDEH)
4. Collaborative Management for the Conservation and Sustainable Development of the Northwest Biosphere Reserve (RNBO)	MSP	728,850	1,346,350	Pro Naturaleza
5. Participatory Management of Protected Areas (GPAN)	FP	14,800,000	15,910,000	Peruvian National Trust Fund for Protected Areas (PROFONAPE)

[2] The projects that have been "clustered" for this analysis do not form a Program, and the GEF and WB did not approve them as a cluster.