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**MANAGEMENT RESPONSE TO THE
FIFTH OVERALL PERFORMANCE STUDY OF THE GEF**

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

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OVERALL RESPONSE

1. Over the 20 year history of the GEF, overall performance studies have provided replenishment participants and the GEF Council with once-in-a-four-year opportunity to take stock of the GEF partnership and undertake measures to improve its effectiveness and efficiency as it progresses to the next replenishment period. We welcome that the Fifth Overall Performance Study (OPS5) provides a similar opportunity as the GEF transitions from the fifth to the sixth replenishment period. We congratulate the Evaluation Office for having managed this complex evaluation process over the last 18 months.

2. We are pleased that OPS5 finds that the GEF is achieving its mandate and objectives; that it continues to be highly relevant and successful in its interventions, and that added value of the GEF is found in its unique position as a financial mechanism of the multilateral environmental agreements. This overall conclusion, bolstered by the specific OPS5 finding that GEF-financed projects are effective in producing outcomes and that “sustainability and progress towards impacts of these outcomes is promising,” confirms that the resources channeled through the GEF partnership are achieving the purposes for which they were provided.

3. We acknowledge the OPS5 commentary that the global environmental conditions continue to decline. Indeed, to be able to make any discernible dent on deteriorating environmental trends, the GEF needs to strengthen its focus on interventions that can have the potential for the largest catalytic impacts, as intended through the GEF-6 programming approach embodied in the focal area strategies and integrated approach pilots.

4. While we acknowledge that business processes across the GEF partnership can be further improved, we think that the partnership model of the GEF remains appropriate and valid in meeting the objectives of the GEF, and has been the foundation for the strong performance to date reported by OPS5. The broad diversity of implementation partners and the mandates across multiple conventions places the GEF in a unique position to support recipient countries with innovative multi-sectoral approaches to foster sustainable development. Specific actions to improve effectiveness and efficiency have emerged as policy recommendations from the GEF-6 replenishment negotiations, and will be included in proposals to the Council at its meetings in May 2014 and October 2014.

RESPONSE TO MAIN CONCLUSIONS AND RECOMMENDATIONS

5. OPS5 provides three main conclusions and associated recommendations. The management response addresses these three main items, while also providing responses to issues raised in other parts of the OPS5 report that are related to these main conclusions and recommendations.

Conclusion 1: Global environmental trends continue to decline. The replenishment may show no increase in purchasing power, while the GEF has accepted more obligations.

Recommendation 1: Resource mobilization and strategic choices in the GEF need to reflect the urgency of global environmental problems.

6. We agree that the strategic choices in the GEF need to reflect the urgency of global environmental problems and have reflected these in the GEF-6 programming strategies.

7. Regarding the recommendation that the GEF burden-sharing arrangement “should be abandoned,” we note, based on consultation with the Trustee, that whether ‘burden-shared’ or not, the current contribution system in the GEF is already flexible and accommodates differences in individual donor approaches and priorities. We also note that the reference points used by most donors for contribution to GEF replenishments are pledges to previous replenishment and not to historical IDA replenishments. Ultimately, the size of each replenishment depends on several factors, including the estimated overall programming needs, donors’ priorities, and their ability to fund the replenishment.

8. Among the remaining specific recommendations, we will, in collaboration with the Trustee, and the GEF Agencies, examine the pros and cons of establishing a “soft pipeline.”

Conclusion 2. The business model of the GEF is no longer appropriate and leads to growing inefficiencies.

Recommendation 2: The business model of the GEF needs major overhaul in the GEF-6 period.

9. Conclusion 3 of OPS5 states that “the intervention logic of the GEF is catalytic and successful in achieving impact over time.” We therefore conclude that the business model of the GEF continues to be appropriate to effectively produce “outcomes exceeding international benchmarks.”

Business Model

10. We do not agree with conclusion 2. We believe that the GEF business model is relevant and continues appropriately to deliver effective outcomes. We further note that conclusion 2 is inconsistent with OPS5’s overall conclusion that “the GEF is achieving its mandate and objectives; that it continues to be highly relevant and successful in its interventions, and that added value of the GEF is found in its unique position as a financial mechanism of the multilateral environmental agreements.” Nevertheless, we agree that business processes can be further improved, particularly those associated with the project cycle so that remaining bottlenecks are addressed.

11. The expanding partnership, referred to in OPS5, not only implies growing interactions across the system, but also expansion of the richness of skills at the disposal of beneficiaries of GEF funding around the world, together with the fostering of innovation coming from the broader diversity of implementing partners. Similarly, the expansion of mandates continues to strengthen GEF’s unique position of being able to serve multiple thematic areas and accords across the global environmental agenda. Therefore, the strength of the GEF remains the variegated nature of its partnerships, offering capabilities and reaches that would otherwise be unavailable. But as the partnership expands, we need to be vigilant that it does not lose its strengths.

Project Cycle Performance

12. We share the concern expressed by the OPS5 that the pace of progress made in streamlining the project cycle since mid-2000s has slowed during GEF-5. We greatly appreciate the analysis undertaken by OPS5, in particular Table 5.1, which shows the disaggregated performance at different stages of cycle, and can help us identify the appropriate measures at each stage. The Secretariat and the Agencies are fully committed to halt any deterioration of performance against project cycle standards.

13. At the November 2012 Council meeting, a set of eight streamlining measures, including a harmonization pilot with the World Bank, was approved by the Council, and is now under implementation. Since then, we have undertaken a comprehensive stock-taking of all the projects that have been approved by the Council to date (GEF-4 and GEF-5) that are overdue or close to being overdue for CEO endorsement (compared to the 18-month standard for elapsed time between PIF approval and CEO endorsement), and working with Agencies and recipient countries to expedite their preparation. As requested by the Council at the November 2013 meeting, and in response to the policy recommendations of GEF-6, the Secretariat is currently working with the Agencies to further identify measures to expedite the project cycle. We will prepare for discussion at the October 2014 Council meeting a proposal for a cancellation policy for projects that exceed the elapsed time standards in the project cycle.

14. OPS5 puts forward a range of specific recommendations that can be considered for further streamlining of the project cycle. We will explore with the GEF Agencies and other appropriate stakeholders the feasibility of these recommendations and their likely impact on the project cycle for possible further modifications during GEF-6.

15. We support the OPS5 recommendation for a higher frequency of use of programmatic approaches. The Secretariat has also concluded a review of the successes and challenges with the current programmatic approach modalities in the GEF, with the aim of identifying opportunities for improvement and replication of successful good practices. In addition, in GEF-6, a pilot program of investments is proposed for test delivery of more integrated approaches that address discrete time-bound global environment challenges whose resolutions are closely aligned with targets and goals of the multilateral environmental agreements that the GEF serves as a financial mechanism.

Co-financing

16. We are pleased to see that OPS5 acknowledges the benefits of co-financing in terms of ensuring a solid foundation for baseline funding, as well as contributing substantially to deliver global environmental benefits. Moreover, it is reassuring to see the evaluation confirm that completed projects demonstrated more co-financing than what was committed at CEO endorsement, and that this materialization has increased over replenishment periods.

17. We concur that the GEF should explore the feasibility of establishing realistic levels of co-financing for groups of countries in specific circumstances. We also agree that the associated transaction costs need to be reduced, and agree with the evaluation that more clarity needs to be provided regarding the approach to co-financing. Based on recommendations emerging from the

GEF-6 replenishment process, a revised *Co-financing Policy* is being submitted for Council consideration in May 2014.

Results-Based Management

18. We note the recommendation regarding the need for selectivity in the RBM system, both in the results frameworks and tracking tools. Based on early inputs from OPS5, we have already streamlined the results frameworks in the focal areas in the GEF-6 programming document compared to GEF-5 results frameworks by reducing the number of indicators to those that really matter, including gender mainstreaming.

19. Regarding tracking tools, we will follow-up on the recommendation to simplify them and to explore the feasibility of collaborating with global public knowledge databases. The intent is to have focused, robust and well-resourced RBM and KM systems, as reflected in the GEF-6 policy recommendations; the Secretariat, after consultation with appropriate GEF entities will submit a RBM and KM work plan for Council consideration in October 2014.

Conclusion 3: The intervention logic of the GEF is catalytic and successful in achieving impact over time.

Recommendation 3: To maximize results, the intervention model of the GEF needs to be applied where it is most needed and supported by a better business model.

20. We are pleased to note the OPS5 finding that the projects financed by the GEF are effective in producing outcomes exceeding international benchmarks,¹ that the intervention logic of the GEF is successful at the national, regional, and global levels, and that the sustainability and progress towards impact of these outcomes is promising. The evidence of strong catalytic impact from the recent GEFEO study of the climate change mitigation in four countries with large GEF-financed portfolios is a confirmation that the intervention model of the GEF is relevant and effective.

21. We agree that the catalytic role played by the GEF and its added value is enabled by its unique link to the multilateral environmental conventions, and note that the evaluation finds that the GEF has been effective in supporting countries respond to convention obligations.

22. We agree with that the “GEF should take higher risks, with potential higher gains.” In fact, the Integrated Approach pilots that are part of the GEF-6 programming package are aimed towards further expanding the innovation envelope of the GEF. In fact, this is an outgrowth of the development of multi-focal area projects in recent years.

23. We note the finding that higher levels of GEF funding in projects leads to faster progress towards impacts – an argument against fragmentation and for critical levels of resources in

¹ OPS5 finds that “GEF projects are effective in producing outcomes, with their average score over the GEF-5 period of more than 80 percent exceeding the international benchmark of 75 percent.”

projects. We also note the evaluation's finding that projects that incorporate initiatives that support broader adoption after the project has ended are also the most successful.

National and Regional Programming

24. We agree that the focus on strategic choices and broader adoption needs to be a central part of the discussion among relevant stakeholders in national and regional programming. As we initiate the NPFE exercises in preparation for GEF-6, we will work with GEF operational focal points to enhance this dimension of the process.

Engagement with CSOs and Private Sector

25. We share the concern of the OPS5 finding that, since the introduction of the resource allocation system, there has been a reduction in CSO and private sector engagement in the GEF. We agree with the evaluation that we should continue to encourage countries, including through planning processes to include CSOs and private sector in priority setting and portfolio identification exercises, while acknowledging that setting specific targets may not be practical.

26. We agree with the conclusion that the *Policy for Public Involvement* should be reviewed, particularly with a view to developing some guidelines for its application, while ensuring that the system does not become overburdened. In April 2013 the Secretariat, in partnership with the GEF-NGO network initiated a process to review the policy. The result of this work, after consultation with the GEF Agencies, will be submitted for consideration by the Council in October 2014.

27. We note the OPS5 finding that GEF has engaged successfully with a wide variety of for-profit entities. GEF has supported several key interventions, working to address barriers to private sector engagement. As described in the GEF-6 replenishment documents, we aim to further strengthen GEF's engagement with the private sector by *mainstreaming* the private sector in programming and projects through the following tried and tested intervention models: (i) fostering enabling policy environments; (ii) pioneering risk mitigation and innovative financial products; (iii) forging corporate alliances; and (iv) providing capacity building and incubation. In addition, a significant share of the private sector set-aside would be used for non-grant instruments.

Strategic Role for STAP

28. We agree that the strategic role of STAP, at the project/program level, and at the policy-making level should be strengthened. We note that there are divergent perceptions about UNEP's support for STAP. We agree that the functional independence of STAP needs to be recognized by all entities, and in this regard a review will be carried out in collaboration with the appropriate stakeholders for discussion by Council.

Small Grants Program

29. We support the recommendations regarding the Small Grants Program.

Gender Mainstreaming

30. We are pleased to see the OPS5 finding that GEF has made progress in responding to the 2010 OPS4 finding and recommendations on gender mainstreaming. Since the Council adopted the *Policy on Gender Mainstreaming* in 2011, progress has been achieved in establishing some operational systems for gender mainstreaming.

31. We agree with the OPS5 finding that more needs to be done, and specifically that an action plan to implement the GEF gender mainstreaming policy should be adopted. A Gender Action Plan, as requested by a GEF-6 policy recommendation, will be submitted for Council consideration in October 2014.

CONCLUSION

32. In closing, we find that OPS5 has generated a rich set of sub-studies, technical documents, and analysis that informs the GEF partnership. We greatly appreciated the inter-agency engagements that the GEF Evaluation Office had over the last one year while undertaking this exercise; they provided opportunities for reflection and in some cases responding to emerging findings and recommendations by incorporating them in the GEF-6 replenishment strategy and programming documents. We wish that the timetable for OPS5 had been such that it arrived at the beginning of the replenishment negotiation process instead of being released towards the end.

33. We are pleased with the OPS5 finding that the GEF is relevant, catalytic, and that projects financed and implemented through the partnership are successful in achieving impact over time. We concur that in order to face rapidly deteriorating environmental trends, the GEF needs to be strategic in its choices and achieve more with the resources at its disposal. Our documents for the replenishment have been prepared with this objective in mind.

34. The GEF partnership continues to be strong and resilient. As in the case of any partnership, there are stresses and strains given the changing nature of the challenges confronting the GEF. Indeed, there are opportunities for improving the efficiency of the processes, and keeping the GEF fit for the challenges of the years ahead.