Project Performance Report

(Incorporating the Project Implementation Review)

1999

TABLE OF CONTENTS

EXECUTIVE SUMMARY

This GEF *Project Performance Report* presents the results of the 1999 Project Implementation Review (PIR). In addition, it draws on additional information and insights about the performance of GEF's programs from evaluations and other studies. This broader focus complements Program Status Reviews prepared for each Operational Program, and provides an assessment of important cross-cutting issues and lessons identified from implementation experience.

As of June 30, 1999, a total of 338 projects had been allocated nearly US$2.4 billion of GEF funding. During FY 1999, 60 full projects and 30 medium-sized projects with GEF funding of US$500 million were approved by GEF. Cumulative disbursements were US$805 million as of June 30, 1999; disbursements during FY 1999 were US$184 million, up significantly from US$133 million in FY1998. In 1999, the time between work program allocations, final agency approval (commitment) and the beginning of project implementation increased for GEF projects implemented by both the World Bank and UNDP, reversing trends in recent years.

The PIR covered 135 projects, 44 of which were included for the first time. There was a general improvement in the quality of reporting for the 1999 review. Performance indicators were a basis for reporting much more often than previously. On the other hand, the quality of individual PIR reports still varied considerably. In general, PIR reporting in all agencies continues to be focused on implementation actions rather than outcomes, a thoughtful assessment of project impacts, or the broader context within which project activities take place. Several World Bank reports contained very little narrative or analysis, and were sometimes based on information that was out of date. This was largely due to the Bank's new system of documenting project supervision, which deliberately restricts extensive report writing. The experience and insights gained from broader monitoring processes conducted by the Bank could be more fully reflected in the annual PIR process. This will be pursued in the next PIR.

Reservations were expressed during the review about the use of project ratings. Rating practices vary considerably between the IAs, and sometimes within an IA. Some fears were expressed about taking the ratings at face value. Nevertheless, these ratings are one common measure available for comparing performance across projects and over time. Twenty-nine percent of the PIR portfolio was rated "highly satisfactory" by the implementing agency; basically the same as last year. Another 64 percent was rated "satisfactory;" up from 50 percent in 1997. Only ten projects (7 percent) were rated "unsatisfactory" or "highly unsatisfactory." This is significantly lower than the previous two years, reflecting in large measure the closure or cancellation of several poorly performing projects. Two poorly performing projects were redesigned and are now progressing satisfactorily. In fact, only three projects rated "unsatisfactory" for the 1998 review were included in this year's PIR portfolio with the same rating.

Three program evaluations conducted during 1999 concluded that GEF is making a positive difference. A study of country programs to phase out ozone depleting substances found that GEF has played a crucial role in this process in countries with economies in transition, and that GEF's objectives have largely been achieved. A review of the World Bank's GEF forestry portfolio concluded that GEF has allowed the Bank to fulfill its goal of conserving tropical moist forests in 16 of the 19 countries identified as priorities in its 1991 forest policy, increased the legitimacy

of conservation investments in many countries, and played a key role in supporting innovations that otherwise might have remained at a very small scale. An interim assessment of biodiversity enabling activities found that most countries receiving GEF assistance had carried out worthwhile and effective planning, and that notable progress had been made by several in developing national biodiversity strategies and action plans.

Five cross-cutting conclusions were reached by the 1999 performance review:

Strategic Context for GEF Projects. A consensus emerged that projects will achieve their objectives and be sustainable to the extent that GEF also addresses the broader socioeconomic and political context and enabling environment in which they take place. The ozone study identified integration of GEF project activities with a broader effort to build capacity and develop a suitable policy framework as a feature that led to success. The focus on transboundary diagnoses and strategic action programs in the international waters portfolio, and the emphasis on barrier removal and market transformation in the climate change portfolio, reflect a strategic approach. A recurring lesson from the review of biodiversity projects is that the major factors that affect the sustainability of conservation are the socioeconomic and political root causes of biodiversity loss.

While this consensus appears to be increasingly clear, there are obstacles and gaps in GEF's ability to translate it into practice so far. Discussion in the climate change task force identified the absence of well-articulated strategies to remove identified barriers to market transformation, and the tendency for project officers to remain focused on implementation details rather than the broader context and objectives. The analytical and strategic planning process—including efforts to involve a wide range of regional, national and local stakeholders—has been much more complex and has taken more time than expected in the international waters portfolio. Biodiversity projects tend to be focused too narrowly on site-specific activities. There seems to be too little concern for broader national or contextual factors, like awareness raising, institutional capacity development and operationalizing policies that would be conducive to mainstreaming biodiversity considerations into development planning and programs.

Integration of Development and Global Benefits. Discussion during the PIR highlighted the importance of integrating GEF-supported activities with national development priorities and programs. GEF needs to give attention to ways to develop and articulate clear linkages between development priorities and global environmental concerns, and consider how to more closely integrate its activities with national sustainable development programs while maintaining its unique focus on global environmental issues.

Stakeholder Involvement. The involvement of key stakeholders is crucial to building commitment and ownership, and ultimately to achieving and sustaining local, national, and global results. GEF's policies on public involvement have often provided a stimulus for greater stakeholder participation beyond the specific activities it has funded. On the other hand, efforts to engage stakeholders have sometimes been inadequate to gain the full benefits of their insights or to build ownership. While major efforts have been directed at involving communities and other local organizations, less progress in including the private sector and women's groups has been documented, particularly in biodiversity programs.

Genuinely participative processes have proven to take a lot of time and require more resources than initially expected. Often, however, expectations regarding the length of time or amount of funding required for project design and implementation have not changed to reflect

this experience. GEF may need to make adjustments in its project cycle, its project review criteria, and expectations for documentation at various stages in the project process, to allow adequate time and resources to encourage full participation, and look for ways to move some "preparation" activities into "implementation."

Flexible, Long-Term Approach. This year's review echoed the main conclusion of the 1998 *Project Performance Report*—the need for an approach to addressing global environmental problems that is longer term and more flexible than current project instruments. In many cases, this requires a phased approach that sets firm performance benchmarks on which to base decisions about continued support. While this conclusion has been reflected in a few new projects included in GEF Work Programs over the past year, more effort is required to put it into practice. There is an urgent need to spell out clear guidelines for adaptive management and flexible approaches to providing GEF assistance, and to fully examine the implications of moving in this direction on internal procedures and incentives. Project cycle and review criteria may need to be changed to reduce expectations regarding the level of exactitude about project details contained in project briefs and documents. Instead, greater emphasis in project proposals should be placed on stating clear objectives; discussing in greater detail and frankness risks, uncertainties, and assumptions; providing tools for monitoring performance and feeding back lessons from experience into practice; and giving management the authority, with appropriate checks and balances, to adapt flexibly to changing circumstances and information. In addition, all implementing agencies should be able and encouraged to use more flexible project approaches at the same time.

Managing for Results. Finally, and most fundamentally, the review highlighted the need for GEF to move away from an "approvals culture" toward greater attention to the results of its programs. The 1999 PIR identified lessons similar to those in past reviews. Yet there are numerous examples where these lessons are not fully applied. In addition, program managers in the secretariat and implementing agencies had too little time to devote to a full consideration of the PIR reports and discussion of the lessons of experience they were revealing.

In its early years, it was appropriate for GEF to focus on building a portfolio of projects, on creating and refining project cycle procedures and review criteria, on setting standards for project design, and getting projects started in the field to establish a presence and begin to learn about the factors that influence the achievement of global environmental objectives. This has largely been accomplished. Now it is time to shift GEF's emphasis toward managing its resources for results. This calls for a fuller integration of the tools and perspectives of "monitoring and evaluation" into management practices; allocating more time and attention to implementation and to understanding what is working, what is not, and why; being more strategic in building on past successes and filling gaps in operational programs; and feeding back what GEF is learning from its experience and that of countries and other organizations into new operations. This is likely to require a major effort to reorient the way GEF operates, including a re-examination of the roles played by the various parts of its organizational structure to match them with their comparative advantages and adjust them to a greater focus on results.

1. INTRODUCTION

1. This GEF Project Performance Report presents the results of the 1999 GEF Project Implementation Review (PIR). In addition, it draws on additional information and insights about the performance of GEF's programs from evaluations and other studies. This broader focus complements Program Status Reviews prepared for each Operational Program (OP), and provides an assessment of important cross-cutting issues and lessons identified from implementation experience.

2. At the request of the GEF Council, PIRs are carried out annually by the GEF implementing agencies (IAs) and secretariat (GEFSEC). They have two purposes: one, to provide a comprehensive overview of the GEF portfolio and trends in performance, and two, to highlight themes or issues that may lead to: (a) refining Operational Programs, (b) improving project design and management, (c) identifying scientific and technical questions for further consideration, including by GEF's Scientific and Technical Advisory Panel (STAP), and (d) identifying lessons from experience and topics for further examination through evaluations and other studies.

3. Following guidelines developed by the Monitoring and Evaluation Coordinator, each agency prepared an analysis of its GEF portfolio, an overview emphasizing key trends and lessons learned to date, and individual reports for all full and medium-sized projects that had been in implementation for at least a year as of June 30, 1999. The agencies rated each project on implementation progress and likelihood that its global environmental objectives would be achieved.

4. The three IAs shared the results of their reviews and the individual project reports with GEFSEC and the other agencies. These reports were the basis for reviews by GEF's focal area task forces of their respective portfolios-biological diversity, climate change, international waters, and phase out of ozone-depleting substances (ODS). Culminating the process, an interagency review meeting organized by the Monitoring and Evaluation Coordinator was held in New York on December 1, 1999. It featured discussion of the highlights of the task force reviews and cross-cutting issues.

5. A large number of project managers and staff in the implementing agencies and the GEF secretariat contributed to the 1999 PIR. In general, the quality of reporting was better this year than last, and focused more on objectives and results indicators. The quality of individual reports still varies significantly, however. UNDP's reports were very lengthy and difficult to absorb in the limited time available for the PIR. Several World Bank reports contained very little narrative or analysis, and were sometimes based on information that was out of date. From the submissions of the three agencies, several project reports were identified as good examples of reporting based on objectives and indicators:

- *African NGO-Government Partnership for Sustainable Biodiversity Action*
- *China Development of Coal Bed Methane Resources*
- *China Nature Reserves Management*

- *Cuba Protecting Biodiversity and Establishing Sustainable Development in the Sabana-Camaguey Region*
- *India Renewable Resource Management*
- *Indonesia Coral Reef Rehabilitation and Management*
- *Lao PDR Wildlife and Protected Areas Conservation*
- *Mozambique Transfrontier Conservation Areas Pilot and Institutional Strengthening*
- *Pakistan Biodiversity Mountain Areas Conservancy*
- *Panama Biodiversity Conservation in the Darien Region*
- *Poland Efficient Lighting Project*
- *South Pacific Biodiversity Conservation*
- *Uruguay Consolidation of the Bañados del Este Biosphere Reserve.*

6. Chapter 2 of this report contains an analysis of the entire GEF portfolio through June 30, 1999. Chapter 3 summarizes the 1999 PIR in two sections: an overview of the projects covered and the portfolio highlights by GEF focal area. The PIR overview reports from each IA are included in Appendix C. Chapter 4 presents the main findings and conclusions of several project and program evaluations conducted by GEFSEC and the IAs during the past year. Drawing on the PIR and these evaluations, Chapter 5 is a synthesis of the principal conclusions and recommendations of this year's review.

2. GEF PORTFOLIO ANALYSIS

A. OVERALL GEF PORTFOLIO

7. As of June 30, 1999, a total of 338 projects[1] had been allocated funding in approved GEF work programs. As shown in Table 1, 48 percent of these are administered by the World Bank, 40 percent by UNDP, seven percent by UNEP, and five percent by more than one GEF implementing agency. One project is administered by the GEF secretariat. Funding for these projects totaled US$2,347 million, of which 61 percent was in World Bank projects, 30 percent in UNDP projects, four percent in UNEP projects, and five percent in multi-IA projects. In addition, as of June 1999, over US$43 million had been approved for individual country enabling activities under the biodiversity and climate change conventions.

8. Figure 1 illustrates the growth of the entire GEF portfolio (including enabling activities and project development funds) by amounts allocated, committed and disbursed, from June 1991 through June 1999. During FY1999, 60 full projects and 30 medium-sized projects with GEF funding of US$500 million were approved by the GEF Council. This compares to US$336 million approved for 50 projects the previous year. Implementation of 33 projects was completed in FY1999.

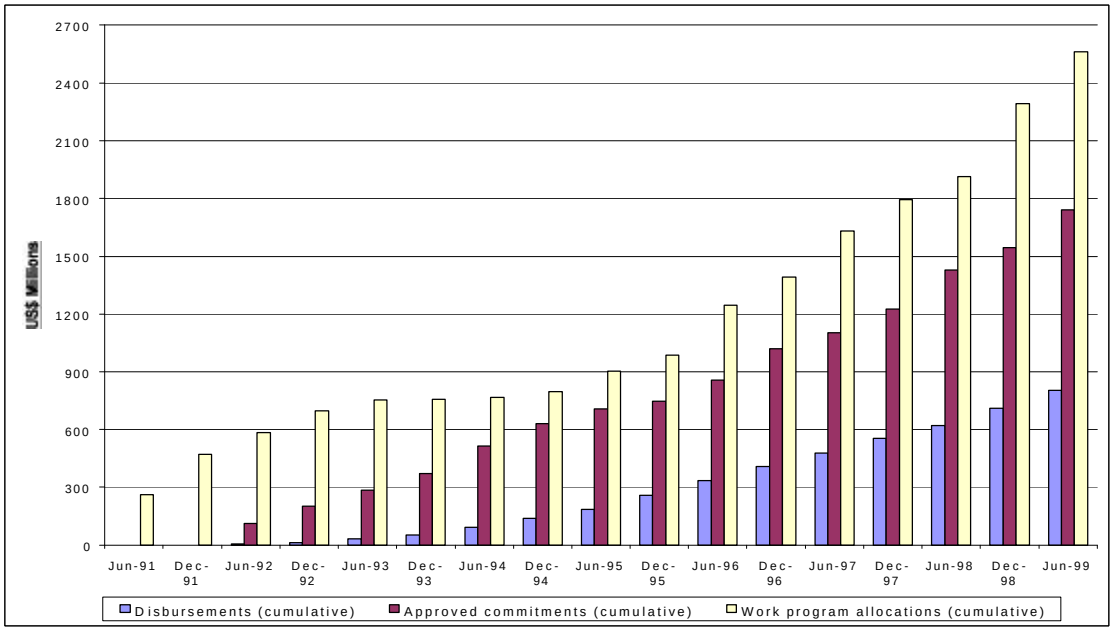
TABLE 1
GEF PROJECT ALLOCATIONS BY IMPLEMENTING AGENCY (AS OF JUNE 1999)

	Pilot Phase		GEF1 (February 95-June 99)*		Total	
	# Projects	(US$m)	# Projects	(US$m)	# Projects	(US$m)
UNDP	56	256	80	448	**136**	**704**
UNEP	6	22	18	63	**23**	**85**
World Bank	53	452	108	988	**161**	**1,440**
More than one IA	0	0	16	115	**16**	**115**
Others**	1	3	0	0	**1**	**3**
Total	**116**	**733**	**222**	**1,614**	**338**	**2,347**

* Source: *1998 Project Performance Report* and Work Programs submitted for Council approval
** PRINCE project managed by GEF secretariat

1 Unless otherwise noted, the numbers in this section include full and medium-sized project but exclude pre-investment funds and individual country Enabling Activities approved using expedited procedures.

FIGURE 1
CUMULATIVE GEF PORTFOLIO - ALLOCATION, COMMITMENTS AND DISBURSEMENTS
1991 - 1999



9. Table 2 shows the distribution of the GEF portfolio as of June 30, 1999. By value, 38 percent were biological diversity projects, 36 percent climate change projects, 15 percent international waters projects, six percent projects to phase out ozone depleting substances, and five percent multi-focal area projects.

B. DISBURSEMENTS

10. Cumulative disbursements for the entire GEF portfolio (including enabling activities and project development funds) increased during

TABLE 2
GEF PROJECT ALLOCATIONS BY FOCAL AREA (AS OF JUNE 1999)

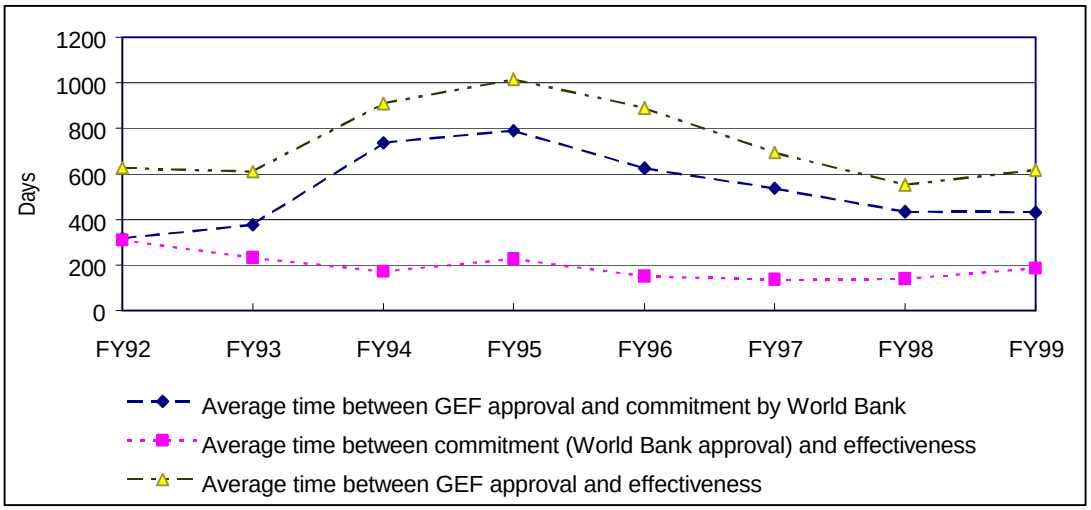
	Pilot Phase		GEF1 (February 95-June 99)*		Total	
	# Projects	(US$m)	# Projects	(US$m)	# Projects	(US$m)
Biodiversity	58	332	96	559	**154**	**891**
Climate Change	41	259	73	585	**114**	**844**
International Waters	12	118	30	232	**42**	**350**
Ozone	2	4	16	141	**18**	**145**
Multi-Focal	3	20	7	97	**10**	**117**
Total	**116**	**733**	**222**	**1,614**	**338**	**2,347**

* Source: *1998 Project Performance Report* and Work Programs submitted for Council approval

FY1999 to US$805 million.[2] There were positive trends in terms of disbursement-to-commitment ratios and amounts disbursed during the year. However, disbursements under many projects included in this year's PIR continued to be well below initial projections. This shortfall is generally due to over-ambitious estimates in project designs-many included activities for which there were few precedents on which to base projections-and to the considerable amount of time it has taken to expand stakeholder involvement under many GEF projects. Disbursements in relation to commitments were 46 percent as of June 1999, up from 43 percent in June 1998. Disbursements in relation to amounts committed by the World Bank increased to 39 percent at the end of FY1999, compared to 34 percent a year earlier; for UNDP, disbursements in relation to commitments decreased to 58 percent from 62 percent at the end of FY1998, while for UNEP, disbursements increased to 56 percent from 52 percent of amounts committed.[3]

11. Amounts disbursed for GEF projects were US$184 million during the year,[4] up significantly from US$133 million in FY1998 and US$141 million in FY1997. Disbursements by all three implementing agencies increased substantially: from US$49.9 million to US$63.3 million for UNDP, from US$6.9 million to US$12.6 million for UNEP, and from US$75.7 million to US$107.6 million for the World Bank.

FIGURE 2
AVERAGE TIME BETWEEN GEF ALLOCATION, COMMITMENT AND EFFECTIVENESS FOR WORLD BANK PROJECTS, BY FISCAL YEAR OF COMMITMENT

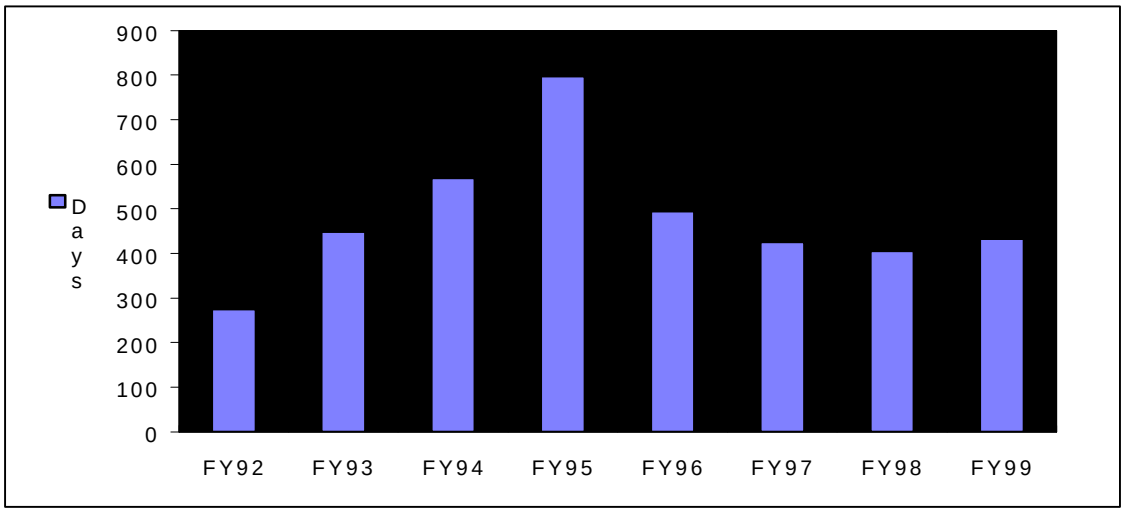


2 Source: Implementing agency quarterly financial reports; implementing agency PIR overview reports. Disbursement figures include PDF and enabling activities.

3 These figures tend to overstate the percentage of the active portfolio that is disbursed, since they include an increasing number of projects that are completed and, therefore, fully disbursed. The difference in disbursement rates between the World Bank, on the one hand, and UNDP and UNEP on the other, is largely explained by the fact that more of the Bank's GEF projects are large investment projects, which initially disburse more slowly.

4 Source: Implementing agency quarterly financial reports; implementing agency PIR overview reports. Disbursement figures include PDF and enabling activities.

FIGURE 3
AVERAGE TIME BETWEEN GEF APPROVAL AND PROJECT AGREEMENT SIGNATURE
UNDP GEF PROJECTS, BY FISCAL YEAR OF PROJECT AGREEMENT SIGNATURE



C. TIME FROM ALLOCATION TO IMPLEMENTATION

12. In 1999, the time between work program allocations, final agency approval (commitment), and the beginning of project implementation increased for GEF projects implemented by both the World Bank and UNDP. As shown in Figure 2, full projects approved by the World Bank in FY1999 took approximately the same length of time on average to reach the commitment stage as during the previous year (432 days compared to 434 days in FY1998). However, for World Bank GEF projects that became effective in FY1999, the average length of time between commitment and the beginning of implementation increased substantially (186 days compared to 137 days in 1998). This average is adversely affected by one project that took a particularly long time to become effective; if this project is excluded, the Bank average is reduced to 166 days.

13. As illustrated in Figure 3, the average time for a UNDP GEF project to move from work program allocation to the beginning of implementation (signature of the project agreement) increased from 406 days in FY1998 to 433 days in FY1999, reversing the downward trend begun in 1996. However, this average was significantly influenced by two projects that took a particularly long time to be approved; the median number of days from Council allocation for projects approved by UNDP in FY1999 was 390.

3. 1999 PROJECT IMPLEMENTATION REVIEW

A. OVERVIEW OF PROJECTS COVERED IN THE REVIEW

1. Portfolio Reviewed

14. The 1999 PIR covered 135 projects that had been in implementation for at least a year as of June 30, 1999, up from 119 projects in 1998. A total of 63 of these projects are implemented by UNDP, 57 by the World Bank, and 15 by UNEP. Table 3 shows the distribution of these projects; Appendix A contains a complete list.

15. Half of the projects (67) in this year's PIR portfolio were in the biodiversity focal area. The largest number of projects are in Operational Program 3 (forests), followed by Operational Program 2 (coastal, marine, and freshwater). More biodiversity projects were in Africa than any other region. There were 45 climate change projects in the review (33 percent). Those in Operational Program 6 (renewable energy) made up a third of the climate change PIR portfolio. Projects in Asia and Africa were concentrated in Operational Program 6, whereas Operational Program 5 projects predominated in Europe and Central Asia (ECA). This focal area also had a large number of projects categorized as enabling activities and short-term response measures. The PIR included 12 international waters projects (10 percent), two-thirds of which are in Operational Program 8. Ten ozone projects (7 percent) and one multiple focal area project—the Small and Medium Enterprises project —completed the 1999 PIR portfolio.

16. The largest number of projects were in Africa (26 percent, up from 23 percent last year), followed by Asia (24 percent vs. 21 percent in 1998) and Latin America and the Caribbean (LAC) (17 percent, down from 21 percent last year). Approximately two-thirds of the projects in Africa and LAC were in the biodiversity focal area, whereas one-third of the climate change projects were in Asia. Projects in ECA were primarily in climate change and ozone, while one-third of the international waters projects were in the Middle East and North Africa.

17. A total of 44 projects are included in the PIR for the first time in 1999. This includes 24 biodiversity, 12 climate change, and seven ozone projects, but only one new project in the international waters focal area. This relatively slow rate of entry of new

TABLE 3
PROJECTS INCLUDED IN 1999 PROJECT IMPLEMENTATION REVIEW

	Biodiversity	Climate Change	International Waters	Ozone	Multiple	Total
Africa	23	9	3	0	0	**35**
Asia	17	15	1	0	0	**33**
Europe/ Central Asia	2	7	2	10	0	**21**
Latin America & Caribbean	16	5	2	0	0	**23**
Middle East/ North Africa	4	2	4	0	0	**10**
Global	5	7	0	0	1	**13**
Total	**67**	**45**	**12**	**10**	**1**	**135**

international waters projects into the PIR reflects an emphasis on developing transboundary diagnostic analyses (TDAs) and strategic action programs (SAPs) through PDF-B resources in many projects. These efforts have generally required more time than originally expected to bring together the requisite number of regional, national, and sub-national organizations as part of the priority-setting strategic phase that characterizes GEF-funded interventions for transboundary water systems. It is expected that the 2000 PIR will see the addition of several new international waters projects that have begun implementation during the past year.

2. Performance Ratings

18. Each agency rated performance with regard to implementation progress and prospects for achieving development/global environmental objectives for its projects in the PIR. They used a 4-point scale: highly satisfactory (HS), satisfactory (S), unsatisfactory (U), and highly unsatisfactory (HU). Definitions for these ratings are in Appendix B.

19. A total of 39 projects (29 percent) were rated by the implementing agencies as highly satisfactory on implementation progress, prospects for achieving global environmental objectives, or both. This compares to 28 percent of the projects included in the 1998 PIR and 34 percent of the 1997 PIR portfolio. Within focal areas, HS projects were 33 percent of the international waters portfolio; they were 30 percent of biodiversity, 27 percent of climate change, and 20 percent of ozone projects. Approximately 64 percent of the portfolio (86 projects) was rated satisfactory.

20. Only 10 projects (seven percent) were rated unsatisfactory or highly unsatisfactory on implementation progress, prospects for achieving global environmental objectives, or both. This represents a significant change from the previous two years, reflecting in large

TABLE 4
RATINGS OF PROJECTS IN 1997-99 PIRS

	HS (1999)	**HS (1998)**	**HS (1997)**	**S (1999)**	**S (1998)**	**S (1997)**	**U/HU (1999)**	**U/HU (1998)**	**U/HU (1997)**
Biodiversity	**20 (30%)**	18 (32%)	19 (37%)	**42 (63%)**	34 (57%)	26 (49%)	**5 (7%)**	5 (11%)	6 (12%)
Climate Change	**12 (27%)**	9 (21%)	11 (31%)	**30 (67%)**	27 (65%)	18 (49%)	**3 (6%)**	6 (14%)	8 (22%)
International Waters	**4 (33%)**	3 (25%)	3 (33%)	**6 (50%)**	5 (42%)	4 (44%)	**2 (17%)**	4 (33%)	2 (22%)
Ozone	**2 (20%)**	2 (33%)	2 (40%)	**8 (80%)**	4 (67%)	2 (40%)	**0**	0	1 (20%)
Multiple	**1 (100%)**	1 (50%)	0	**0**	1 (50%)	3 (100%)	**0**	0	0
Total	**39 (29%)**	33 (28%)	35 (34%)	**86 (64%)***	71 (59%)	53 (50%)	**10 (7%)**	15 (13%)	17 (16%)
UNDP	**22 (35%)**			**37 (59%)**			**4 (6%)**		
UNEP	**7 (47%)**			**8 (53%)***			**0 (0%)**		
World Bank	**10 (18%)**			**41 (72%)**			**6 (10%)**		

* includes three projects not rated

measure the closure or cancellation of several poorly performing projects. Seven of the ten unsatisfactory projects in this year's review are in Africa. Table 4 compares the 1999 ratings with those in the 1997 and 1998 PIRs, and reflects aggregate ratings by implementing agency. It should be noted, however, that there was general dissatisfaction during the PIR with the way ratings are currently being used (see paragraph 111 below).

3. Review of Problem Projects

21. Each project with an unsatisfactory rating was discussed during the implementation review. Three projects included in the 1999 PIR continue to have unsatisfactory ratings since last year or earlier. However, several projects rated unsatisfactory in 1998 or 1999 have been closed or cancelled. Disbursements were suspended on one project until the major issue affecting its implementation is resolved. Other projects are currently under review and may be cancelled. Two projects rated unsatisfactory last year were redesigned and now are performing better. In general, the principal causes of unsatisfactory performance were (a) lower-than-expected implementation capacity by executing agencies, including NGOs in several cases; (b) participative approaches taking more time than expected; (c) changes in market conditions, especially related to climate change projects; (d) reductions in government counterpart and other contributions; (e) lack of government commitment to project activities; and (f) procurement delays.

B. PORTFOLIO HIGHLIGHTS BY FOCAL AREA

22. This section provides a summary of the projects in implementation in each focal area. It highlights key issues and areas of significant progress identified during the PIR.

23. Each of the four GEF focal area task forces reviewed its PIR portfolio as part of the PIR process. These discussions were organized around the six objectives of the PIR agreed upon last year: (a) review trends in the portfolio, including ratings; (b) identify areas where GEF program guidance should be refined based on experience; (c) identify lessons that should be reflected in new project design or implementation; (d) identify scientific or technical questions that might be referred to STAP; (e) highlight examples that might be used in GEF's outreach strategy; and (f) suggest topics for further examination through evaluations or other studies. Each task force meeting featured a discussion of the thematic review conducted during the past year (two of which are still underway) in the focal area.

24. While there are now over 180 GEF projects for which there is implementation experience (those included in the 1999 PIR plus completed projects), the complexity of addressing global environmental issues and the multitude of settings in which these projects are carried out calls for a certain degree of caution and modesty in drawing lessons from and generalizing about this experience. With this caveat in mind, this section of the report discusses insights gained in implementing GEF projects and the principal challenges that appear to be facing each portfolio.

1. Biological Diversity

25. This year's review included 67 biodiversity projects, with a total of US$421 million in GEF funding. Of these, 24 were included in the PIR for the first time in 1999, while another 18 projects were completed during the year. Thirty projects were implemented by UNDP, 29 by the World Bank, and eight by UNEP. The largest number of projects—43 percent—were in Operational Program 3, forest ecosystems. Twelve were in Operational Program 2 (coastal, marine, and freshwater ecosystems), seven in Operational Program 1 (arid ecosystems), and five in Operational Program 4 (mountain ecosystems), while ten fall under more than one operational program. The remaining four projects were categorized as

either enabling activities or short-term response measures.

26. The 1999 reports generally reaffirm the lessons of past PIRs. These lessons are drawn both from positive experiences of projects in the portfolio and from less successful efforts. In particular:

- Full community involvement in all stages of project design, implementation, and monitoring and evaluation (M&E) is important. In addition, all critical stakeholders should be involved. In this regard, project reports contain little information on participation by women in many biodiversity projects. Likewise, there is little documentation on the involvement of the private sector in projects in this focal area. Effectively involving key stakeholders takes time, and is often difficult when project managers are focused on achieving project outputs. A number of projects continue to report implementation problems caused by failure to involve stakeholders fully. Additional insights documented in the 1999 reports include the need to constantly refine participation strategies, the need to build capacity of local institutions to allow full participation, the importance of assessing how representative local institutions are before defining a strategy to engage them, and the importance of linking decentralized authority with accountability.

- Conservation efforts need to be combined with activities aimed at meeting socio-economic needs. However, linkages between conservation and local development strategies are often difficult to establish, as documented in reports from the Indonesia Kerinci-Seblat and African NGO-Government Partnerships projects. Among the implications of this lesson are that GEF projects should (a) seek ways to more fully integrate biodiversity concerns with national development priorities, (b) give greater emphasis to working across sectors, and (c) look for ways to more closely relate global and local/national benefits. This is particularly important in view of the poverty-reduction mandate of UNDP and the World Bank.

- Projects need to give attention to the broader political, social, and economic environment within which activities take place. Lack of commitment and political will at various levels—locally, nationally, and globally—as well as perverse incentives provided by policies beyond those directly related to biodiversity, are often identified as causes for implementation problems and cloud prospects for long-term impact. Sustainability is more likely if a strong emphasis is placed on integrating environmental goals into national development strategies, if institutional coordination among relevant sectors is improved, and if environmental institutions have an ability to influence policy in other key sectors.

- Flexible, long-term approaches that build in adaptive management based on feedback from experience are needed to address the challenges of biodiversity conservation. This requires projects with clearer objectives, and activities phased on the basis of measurable milestones.

27. **Sustainable Use of Biodiversity.** Projects aimed at improving conservation of biodiversity in protected areas still make up the largest portion of this part of the PIR portfolio. However, there are considerably more projects that are addressing sustainable uses of biodiversity in this year's review than previously. These include the Burkina Faso Nazinga Ranch, Costa Rica Conservation of Biodiversity and Sustainable Development in La Amistad and La Osa, East African Cross-Border Biodiversity, Ethiopia Plant Genetic Resources, Gabon Wildlife Trade, Guyana Iwokrama Rain Forest Program, Lao

BOX 1. PAKISTAN MOUNTAIN AREAS CONSERVANCY PROJECT

Biodiversity management programs in Pakistan have traditionally excluded local communities from decision making and activity implementation. This has alienated them from conservation efforts. The Mountain Areas Conservancy project (MACP) is based on the premise that threats to biological diversity will not be mitigated unless communities are actively involved. The project aims to empower, organize, and increase the capacity of communities to conserve biodiversity at an ecological landscape level; to enhance the values of wild resources (as a conservation incentive) by promoting their sustainable use; and to create a conducive policy, legislative, and financial framework for community-based conservation. Project activities focus on four conservancies—large areas incorporating one or more watersheds in which local people agree to conserve the biodiversity of the ecological landscape through collective management in partnership with government. The conservancies are contiguous to existing protected areas and buffer them from threats emanating from surrounding landscapes.

The MACP is the second stage of a phased approach that began with the Maintaining Biological Diversity with Rural Community Development project carried out by IUCN and funded by GEF through UNDP. This initial project developed a participatory process that established a dialogue with communities, engaged in conservation planning, built local capacity to monitor wild species, created financial mechanisms to support conservation efforts, and empowered communities by establishing institutions for collaborative management of wild species together with government agencies. It had a comprehensive monitoring and evaluation program that provided tools for community resource management and generated lessons for the design of the MACP. The project built on substantial investments in community development made over two decades by the Aga Khan Rural Support Program, complementing these efforts to create awareness that natural resources are important for communities' long-term livelihood.

The pilot project showed that **communities are receptive to conservation initiatives if given greater responsibility for the management of wild resources.** As a result, some have banned hunting, established penalties for violations, and created rules for rotational grazing. The project provided a number of lessons that are reflected in the MACP, including:

- Community dialogue is a crucial process upon which all subsequent implementation relies. Care should be taken to ascertain that existing local-level leadership and institutions are truly representative of broad community interests.
- Environmental education and awareness must be integrated into planning from the outset.
- Creating Valley Conservation Funds (VCFs) was a powerful and effective incentive to undertake conservation-related activities. VCFs initially provided sufficient capital to pay for the services of village wildlife guides. Once the funds grow through profits obtained from sustainable harvest of wild resources, social sector projects and compensation for livestock losses to predators can benefit the entire community.
- Funding for small infrastructure projects, e.g., water channels for irrigation, was an incentive for conservation when these activities provided benefits for the whole community. In other communities, sustainable financing mechanisms for recurrent conservation costs were created through larger VCFs instead of small projects. This proved popular and avoided the dependence of infrastructure projects on outside expertise.
- Establishing District Conservation Committees, through which community representatives were able to voice issues and participate in decision making together with district government officials, was an important step in community empowerment.
- Developing conservation plans for protection and sustainable use of wild resources helped communities realize areas of greatest potential in both financial and conservation terms.
- Key activities like trophy hunting, ecotourism and ethnotourism development, and sustainable harvest and cultivation of medicinal and wild plants generated direct benefits to communities, improved wild resource management, and increased awareness toward conservation of wildlife, including non-game and even predator species.

PDR Wildlife and Protected Areas, Mongolia Eastern Grasslands, Pakistan Maintaining Biodiversity with Rural Community Development, Panama Biodiversity Conservation in the Darien Region, South Pacific Biodiversity, West Africa Community-Based Natural Resource Management, and Uruguay Bañados del Este projects.

28. Sustainable uses of biodiversity are particularly challenging to define. During the PIR discussions, three categories of sustainable use projects were distinguished: (1) those that address uses in buffer zones near protected areas, e.g., Costa Rica Conservation of Biodiversity and Sustainable Development in La Amistad and La Osa; (2) those that overlay biodiversity concerns on wider productive landscapes and identify uses that optimize biodiversity conservation while explicitly recognizing the trade-offs that will occur in that productive landscape, e.g., Mongolia Eastern Grasslands; and (3) those that focus on economic uses of components of biodiversity per se, e.g., the Burkina Faso Nazinga Ranch and Pakistan Biodiversity (see Box 1) projects. Activities in the third category present the main challenges for the future.

29. Sustainable use is not a substitute for preservation of biodiversity through, for example, protected areas. It will entail trade-offs. Indeed, sustainability of uses of biological resources is extremely difficult to define a priori. Good indicators and monitoring systems (at both the project and program level), and regular monitoring of impacts on the ground, are important to be able to verify that biodiversity is actually being conserved. In addition, in the productive landscape, the "baseline" may not be full conservation, but deforestation or transformation. The PIR concluded that additional study and analysis of the question of the appropriate baseline for sustainable uses is needed.

BOX 2. EARLY LESSONS FOR AGROBIODIVERSITY FROM ETHIOPIA

The **Plant Genetic Resources** project in Ethiopia seeks to improve *in situ* conservation of agricultural biodiversity by linking farm communities and their traditional crop varieties with the activities of the Institute of Biodiversity Conservation and Research. A mid-term review conducted in early 1999 illustrates how the main challenges for projects of this type are often socioeconomic and process issues. The review found that Community Gene Banks established by the project were seen as too large and not properly adapted to local designs and materials; it recommended smaller, cheaper, and more banks more closely related to existing farmer associations at the individual community level. It found that the absence of full involvement of all stakeholders in project design was hindering successful implementation of several components. In particular, a greater participation of regional government authorities would have been beneficial. But to effectively participate, the capacity of regional governments needed to be enhanced. Integration of women in the planning and implementation of Community Gene Banks and other activities required a major shift in the orientation of project leaders. Finally, the long-term sustainability of the program depends on identifying markets for products that use traditional varieties.

30. **Agrobiodiversity.** A presentation of the People, Land Management, and Environmental Change (PLEC) project—a global project implemented by UNEP in eight countries—and experience gained to date from the Ethiopia Plant Genetic Resources project focused discussion on agrobiodiversity programs. The review highlighted the following lessons that should be reflected in operational guidance:

- The socioeconomic context and enabling environment is particularly important for agrobiodiversity programs. In fact, agrobiodiversity may be influenced by the socioeconomic context as much or more than by scientific concerns (see Box 2). This may lead to difficulties in distinguishing clearly between domestic and global benefits, and this should be recognized in strategic guidance provided by GEF.

- Coordination among various sectors is extremely important. The experience with integrated coastal management, which also involves a range of sectors and stakeholders, might be relevant to draw on when considering agrobiodiversity programs.

31. **Multi-sector Institutions.** The thematic review on Achieving Sustainability of Biodiversity Conservation conducted in 1999 (see Section 4.C.2. beginning on page 32) identified multi-sector and multi-level institutions and fora as good mechanisms for increasing awareness, building political will, and realizing stakeholder involvement. There are several projects in the PIR portfolio with experience in this area, including African NGO-Government Partnerships, Colombia Biodiversity Conservation in the Chocó Region, Cuba Sabana-Camaguey, Dominican Republic Coastal Zone, East Africa Cross-Border Biodiversity, Gabon Wildlife Trade, Lebanon Protected Areas, Mauritius Restoration of Native Forests, and South Pacific Biodiversity. The review highlighted the following important points:

- mechanisms that provide vehicles for participation by stakeholders from various sectors, and from various levels (e.g., local, regional, national), are especially important for addressing biodiversity conservation in areas and on issues in which many interests are involved and where diverse institutions may have responsibilities, for example, coastal zones and agrobiodiversity.

- the extent to which an area makes an important contribution to national economic development is a key factor in creating the political will needed to form multi-sector mechanisms and to make them work. This is illustrated by the experience in the Cuba Sabana-Camaguey project, among others.

- assistance in resolving conflicts and building trust can be an important ingredient in efforts to support multi-sector, multi-level mechanisms.

- the nature and history of lead institutions in multi-sector mechanisms is often an important determinant of their effectiveness. For example, in the PLEC project, inter-institutional groups seem to be functioning better when the lead organization already has experience with interdisciplinary activities or when its own activities are multi-sectoral. There is also some indication in this project that new mechanisms, formed specifically to coordinate new efforts, function better than building coordination mechanisms onto existing networks that may not have a history of working well together.

32. **Land Degradation.** At its May 1999 meeting, the GEF Council requested implementing agencies to give greater attention to land degradation. Examples of biodiversity projects that are addressing land degradation from the PIR portfolio include Burkina Faso Nazinga Ranch, Comoros Island Biodiversity, East Africa Cross Border Biodiversity, Ethiopia Plant Genetic Resources, Jordan Dana and Azraq, Lebanon Protected Areas, Madagascar Environment Program II, Mauritius Restoration of Native Forests, Mongolia Eastern Grasslands, Uruguay Bañados del Este, and West Africa Community-Based Natural Resource Management. The review identified a need for clearer, more consistent guidelines on what constitutes the cross-cutting theme of land degradation for GEF, and what specific activities can be eligible for funding. Experience from ongoing projects can provide valuable lessons for future programming if examined in greater detail.

2. Climate Change

33. The 1999 PIR included 45 projects, with a total of US$316 million in GEF funding, in the climate change focal area: 25 implemented by UNDP, 18 by the World Bank

Group (including two IFC projects), and two by UNEP. Fifteen were in Operational Program 6. These projects focus on one or more of six types of renewable energy sources: solar (photovoltaic or water heating), wind, geothermal, biogas from waste, mini-hydro, or substitution of wood fuels. In Operational Program 5, 10 projects focus on energy efficiency and conservation. They feature a range of approaches, including demand side management, boiler conversion, energy efficient buildings, efficient lighting, transport, and credit or credit guaranties for financing energy efficiency activities and enterprises. Eleven projects included in the review were classified as "short term response measures". Another eight are regarded as enabling activities that help countries prepare their national communications to the Climate Change Convention. Finally, one Operational Program 7 project in Brazil—Biomass Power Generation: Sugar Cane Bagasse and Trash—was included in the PIR portfolio.

34. **Market Transformation.** GEF's climate change operational programs stress broad impacts through market development and sustainability. The 1999 PIR focused on emerging lessons regarding the market transformation effects of GEF climate change projects, illustrated by a presentation of the Mexico High Efficiency Lighting project and discussion of the recent evaluation of the Poland Efficient Lighting project (PELP) (see Box 3). These cases show that implementation should focus on how project activities are influencing and working with the policy and institutional environment so there is a sustained emphasis on the market transformation objective. While the barrier-removal focus seems to be accepted in project design, it is not clear

BOX 3. LESSONS ABOUT MARKET TRANSFORMATION

GEF climate change programs aim to influence commercial markets toward climate-friendly technologies. Although both were designed during the GEF Pilot Phase before this market transformation objective was defined, two projects reviewed in the 1999 PIR show contrasting approaches to this and the different degree to which markets were influenced.

The Mexico Efficient Lighting Project (ILUMEX) aimed to replace 1.7 million conventional light bulbs with compact fluorescent light bulbs (CFLs) to demonstrate the viability of CFLs. The replacements were expected to reduce energy consumption and associated GHG emissions by 700,000 tons of carbon dioxide over six years. Sales of CFLs were subsidized by the utility company through attractive credit terms. The target of installing 1.7 million CFLs was met, avoiding carbon dioxide emissions of 764,000 tons. However, the project did not achieve its objective of demonstrating financial feasibility of CFLs for residential consumers either by inducing additional sales at market prices or by showing that sales of CFLs at subsidized prices was financially attractive to the utility.

A different approach was followed by the Poland Efficient Lighting Project (PELP), which used a combination of direct subsidies, distribution channel development, product promotions, and consumer education to promote the widespread adoption of CFLs in the residential sector. PELP provided subsidies to decrease manufacturers' factory prices for CFLs, which lowered prices throughout the distribution chain. The project included an extensive monitoring and evaluation program to determine the environmental, economic, and market transformation effects of the program. In three years, PELP sold 1.22 million CFLs. Consumer awareness increased. CFL sales rose in Poland at more than double the rate in the rest of Central and Eastern Europe, with prices declining by more than 34 percent. Price decreases were sustained after the program. The final evaluation estimates that with CFL penetration increasing from 11.5 percent of households prior to PELP to 33.2 percent three years later, the program influenced significant electricity savings and associated avoided carbon dioxide emissions of 2,755,000 tons at a cost of US$1.41/ton.

Comparison of these two experiences illustrates several important lessons and provides guidance for future initiatives. First, a market transformation project needs to be designed with a clear strategy for results and an understanding of how project activities should influence the market. Second, demonstration of a new technology needs to be based on achieving agreed benchmarks for financial feasibility. Third, a sound monitoring and evaluation system, built in as an integral part of the project, is essential to understand impacts. In the absence of agreed benchmarks and rigorous monitoring of results, the success of a project and market transformation is difficult to determine, undermining the demonstration value of the project.

whether GEF projects are in fact influencing market transformation in practice, notwithstanding experiences with PELP. Project analyses tend to simplify barriers, and there is little documentation in projects regarding the specific strategy for barrier removal. Also, project officers remain focused on details of project agreements and provision of inputs once the project is underway. The review concluded that projects should focus more aggressively during design and implementation on how to work with and influence the enabling policy and institutional environmental toward market changes. It was agreed that GEF should establish cooperative mechanisms with other donors to ensure that activities in countries are complementary and do not undermine market transformation efforts of GEF projects. The review concluded that a more comprehensive analysis of market transformation experience in the climate change portfolio would be useful.

35. **China Portfolio.** This year's review also included a discussion of the portfolio of GEF climate change projects in China. Between 1992 and 1995, a study of issues and options in greenhouse gas emissions control was carried out. About 20 ministries and leading agencies were involved, producing eleven sub-reports on topics ranging from climate change vulnerability, future emission scenarios, and mitigation options in the energy, forestry, and agricultural sectors. A summary report was produced by a joint team representing China's National Environmental Protection Agency and State Planning Commission, UNDP, and the World Bank. The country study provided an extensive analysis of options and identified key areas of importance in terms of potential GHG reduction and net cost. It served as a framework for screening and evaluating various GEF climate change proposals in China in the early 1990s, and facilitated inter-agency collaboration and coordination in developing and implementing a GEF portfolio.

36. While the general conclusions of the study remain valid, there have been new developments in China's economy and the energy sector that offer new opportunities for climate change mitigation. Nevertheless, the review of experience in China indicated that it was worthwhile to provide the resources and spend the time to prepare a detailed strategy for programming in the medium term. Most developing countries have now completed climate change country studies that could provide a similar framework for identifying and evaluating GEF climate change proposals.

37. **Capacity Development.** Capacity building is a central theme in GEF climate change activities included in the review. Projects provide a wide range of capacity building to public agencies, private sector firms, financiers, consumers, community organizations, and NGOs. Types of capacity targeted by GEF projects include:

- technical, financial, and regulatory skills, including energy auditing and management, power plant operations and maintenance, integrated energy planning, renewable energy resource assessment, project preparation appraisal, and environmental assessment. Many projects increase the business development skills of public and private enterprises and financiers to manage, finance, and/or market energy efficiency and renewable energy technologies;

- consumer and policy-maker awareness and information dissemination, e.g., awareness campaigns on solar hot water heating in Tunisia, consumer education and outreach programs in energy efficiency projects in Jamaica, Mexico, and Poland; and

- strengthened regulatory frameworks, for example, the design, implementation and enforcement of building codes and standards in the Thailand Electricity Efficiency and the West Africa Building Energy Efficiency projects.

38. A recent study of GEF climate change projects[5] found that these efforts are improving countries' abilities to understand, absorb, and diffuse technologies. However, the focus of reporting in the PIR on capacity building elements in projects remains largely at the output level (e.g., number of people trained, number of workshops conducted), with little or no attention given to monitoring outcomes.

39. **Enabling Activities.** The review identified a number of interesting issues emerging regarding the regional and global climate change enabling activities. Many were started before the UNFCCC formally defined enabling activities in its guidance to the GEF. There are eight such projects in the PIR portfolio. Each have dealt with the emerging guidance from the Conference of the Parties of the convention in different ways. Some, such as the Training Program on Climate Change (CC: Train) and the Africa Capacity Building projects, successfully managed to narrow their focus from general capacity building to activities designed to prepare national communications. On the other hand, others have not made a smooth transition as individual countries have preferred working on their own individual enabling activity. This experience will be examined in greater detail in an assessment of experience with climate change enabling activities that will be conducted by GEF's corporate M&E team in 2000.

40. **Networks.** The climate change portfolio also contains projects to build capacity in regions among scientists and scientific networks, e.g., the Global Change System for Analysis, Research, and Training (START) and Monitoring of Greenhouse Gases projects. GEF's experience in this area could prove very useful during broader discussions of capacity building in the climate change focal area. It was agreed that GEF experience with scientific and research-based capacity building activities could be a topic for thematic review, probably by GEF's Scientific and Technical Advisory Panel (STAP).

41. **Poverty Reduction.** The World Bank and UNDP are focusing more explicitly on poverty reduction in their environmental work. This poverty focus has implications for the GEF. The climate change portfolio has some good examples of projects targeting developmental and environmental impacts. The review concluded that there was usually a "win-win" theme to climate change projects, providing both local and global benefits. Thus the climate change portfolio was generally achieving important development impacts.

3. International Waters

42. The PIR included 12 international waters projects with total GEF financing of US$109 million: seven implemented by UNDP, four by the World Bank, and one by UNEP. With one exception, these were the same projects as those included in last year's review. Eight are water-body-based projects included under Operational Program 8. The PIR portfolio contained two ship waste projects from the GEF Pilot Phase (Oil Pollution Management for the Southwest Mediterranean and Caribbean Ship-Generated Waste Management) categorized as Operational Program 10.

43. **TDA/SAP Process.** The international waters review focused attention on experience with the Transboundary Diagnostic Analysis (TDA) and Strategic Action Program (SAP) processes under various projects and PDF-Bs. The review included a presentation on the Rio Bermejo project in Argentina and Bolivia, which is of particular importance as the first land/water project (Operational Program 9) carried out under GEF's Operational Strategy, and the first

[5] *Promoting Energy Efficiency and Renewable Energy: GEF Climate Change Strategies, Projects and Impacts*, by Eric Martinot and Omar McDoom. Draft GEF Working Paper, July 1999.

BOX 4. DIFFERING PRESSURES ON NATURAL RESOURCES DEMAND DIFFERENT APPROACHES

Experiences in two GEF projects in South America highlight how the prevailing conditions pertaining to environmental management and the demands for natural resource use affect the performance of projects and the need to use different approaches. Despite a complex institutional structure involving national governments in both Argentina and Bolivia, abinational commission, several provincial governments in Argentina, and a host of local organizations, the project to develop a Strategic Action Program for the Binational Basin of theBermejo River was successful in its three tasks. These were carrying out a Transboundary Diagnostic Analysis to identify the present and emerging environmental problems, organizing pilot demonstration projects and public participation, and developing a strategic action program to form the basis for future activities to protect the basin. The project made excellent efforts to integrate its work with community, municipal and provincial programs. A key to this success lies in the nature of the environmental problems in the basin. Erosion and sedimentation have been identified as the most serious environmental issues hampering sustainable development and causing downstream environmental problems. Solving these problems is in the direct interest of all stakeholders, from the local communities that benefit from improved soil conservation and watershed management, to the national governments needing to reduce downstream sedimentation. In particular, collaboration between the national and provincial government agencies in Argentina was high, since the nature of these problems, and actions needed to address them, do not generally pose conflicts over jurisdiction between them.

The Patagonia Coastal Zone Management Plan project supported by GEF in the mid-1990s set out to develop a management plan to conserve the extraordinary biodiversity and productive environment along the 3,500-km Patagonian coastline of Argentina. The principal output of the project was a strategic framework for investment and technical assistance to conserve biodiversity in three of the fourPatagonian coastal provinces. As in the RioBermejo basin, the project had complex institutional structures involving federal and provincial governments, the private sector, research institutions and NGOs, as well as local stakeholders. A final evaluation concluded that the project succeeded in establishing a scientifically sound baseline, identifying priority issues to be addressed, initiating consultations with stakeholders, developing a common approach to planning and management among provincial and community levels, and conducting public education and outreach. However, the evaluation highlighted a lack of attention to legal, institutional, and economic forces likely to affect marine biodiversity. There have also been conflicts between national and provincial authorities related to jurisdiction over coastal resources and associated environmental issues, such as regulation of commercial fishing and the oil industry. As a result, it has taken several years to reach agreement on implementing the coastal management framework.

one to have completed TDA/SAP through a regular project. The project was found to be successful especially due to strong country ownership and broad stakeholder participation, including by local communities and NGOs. Coordination involving both national governments and regional and local authorities has been important to the project's success, but has resulted in high transaction costs that need to be covered in these types of projects. Another factor of success in the project was the inclusion of early pilot demonstrations. These were possible because the primary problem in the area was known to be sedimentation. Small-scale interventions could be used to identify successful strategies that provided lessons for the design of the second phase of the project. There was also sufficient flexibility in the executing agencies to adapt to changing circumstances. The relationship between poverty and environmental problems in the project area was recognized as important to project sustainability. Now that a program of sectorally based activities has been identified, the question that remains is whether sufficient external funding will be forthcoming to support the program to address the transboundary issues.

44. The review highlighted how the context of issues and institutions affects similar projects in different ways. An illustration based on experience under two different water-related GEF projects in Argentina is summarized in Box 4.

45. While the PIR is primarily concerned with full and medium-sized projects that have been under implementation for at least one year, in the international waters PIR portfolio, it appears that much of the

BOX 5. DEVELOPING THE DANUBE RIVER BASIN SAP

A succession of projects and institutional arrangements have led to significant progress in environment management of the Danube River basin. With the assistance of GEF and the European Union (EU), the Danube basin countries initiated collaborative efforts under the Danube River Protection Convention, a legally binding instrument that provides the substantive framework and legal basis for cooperation. Through an initial GEF project, these efforts led to the development of a SAP, based on a TDA, for all of the basin countries to address domestic and transboundary environmental problems. Two rounds of consultative workshops held in each country were an important part of this process. Through them, government officials, industry, municipalities, NGOs, and the public were able to participate in developing the SAP, thus creating ownership for the process within the countries involved. A second GEF project supported top priority issues identified in a SAP implementation program. Inter-ministerial committees created in the countries were important vehicles for reaching agreement on important actions needed. This led to a revised action plan in 1999 that focuses on reductions in nutrient releases and reflects close ties with efforts to curb pollution of the Black Sea.

The participatory process adopted by the program brought together various actors nationally and locally, and has resulted in their commitment to protecting the Danube and Black Sea basin environment. While this may have increased the costs of activities and length of time required to reach agreement, it has been important for the long-term sustainability of the regional effort. Likewise, the existence of a legally binding convention to which the countries were signatories, and interest by several basin countries in EU accession, have done much to stimulate high-level political commitment and broad-based participation in the basin countries.

current activity is being financed through PDF-B resources. Based on the reports by the implementing agencies, the number of projects likely to be included in the 2000 PIR will remain fairly constant, but is projected to increase significantly by 2001. While it was agreed that it would not be appropriate to include PDF-Bs in the PIR process in the same manner as full projects, certain lessons from them would provide valuable information. A review was proposed to be carried out in another one to two years on how the TDA/SAP approach has been applied across the international waters portfolio to identify experiences using either PDF-Bs or full projects, once several more full projects have completed the process.

46. **Indicators.** Progress on developing and using performance indicators in the international waters portfolio continues to be disappointing. More recent projects, most of which are not yet included in the PIR, reportedly include a commitment to establish process, stress reduction, and environmental status indicators for use in monitoring their progress and impacts. During the review discussions, the framework developed by the latest Danube River Basin project was highlighted as a potential model for reporting these three levels of indicators.

47. Another conclusion of this year's review was that reporting contained too little discussion of the role that GEF can realistically play in the large ecosystems that are the subject of international waters projects. There is a tendency to establish goals that are overly ambitious. By their nature, the environmental benefits take a long time to materialize and can sometimes be seen only long after project completion. This needs to be reflected in the indicators chosen to measure whether GEF is moving toward the right outcomes.

48. Experience with international waters project preparation and implementation points to certain problems related to resource allocations. The review concluded that GEF has consistently underestimated what it takes to put together a successful international waters project. Complex, multi-country projects

involving several implementing agencies often require more resources and longer preparation periods. In some cases, PDF-B funding limits pose constraints, but more often the delays are caused by the need to coordinate with other agencies and donors, as well as reach agreement among collaborating nations.

4. Phase-Out of Ozone Depleting Substances

49. The PIR portfolio included ten ozone projects with GEF funding of US$93 million. Unlike past years, when only World Bank projects were included in the review, this year's PIR included four projects implemented by UNEP and one by UNDP, in addition to five carried out by the Bank.

50. Although the implementation of projects included in the GEF ozone portfolio is progressing slower than originally expected—mainly because of viability problems in enterprises receiving grants—most projects will be nearing completion over the next year. Discussion during the ozone task force review was based on the reports from the ten projects included in this year's review and on the recently completed study of progress made by countries with economies in transition in phasing out ozone depleting substances (ODS), and GEF's contribution to these programs (see Section 4.B).

51. Five countries have completed their GEF projects (Czech Republic, Hungary, and Slovenia) or are scheduled to complete them in 1999 (Bulgaria and Slovakia). In addition, Poland's GEF project is scheduled for completion in early 2000. In all these countries, full or nearly full compliance with the Montreal Protocol has been achieved. Thus, the main objective of GEF involvement has been realized. The completed subprojects have generally resulted in the total phase-out of Annex A and B substances.[6] However, in most cases, ODS consumption had been reduced significantly prior to the start of implementation. Several subprojects had even phased out completely the use of Annex A and B substances before implementation of the GEF project. This is due to a number of factors. Several subprojects were funded retroactively, i.e., ozone-friendly technology was introduced in anticipation of forthcoming GEF funding. Furthermore, domestic policies and measures partially prohibited the import of Annex A and B substances prior to subproject implementation, causing the enterprises to basically close down business (and thus stop using ODS) or to use stockpiled material instead of importing virgin ODS until implementation. To some extent, ODS consumption also dropped as a result of public awareness of the ozone depletion issue, while enterprises relying on ODS-based technology still required financial support to successfully convert to sustainable non-ODS technologies. Finally, in a number of instances, it has been reported that enterprises switched to interim technological solutions prior to subproject implementation.

52. Institutional strengthening and other supporting activities have been part of GEF support in virtually all recipient countries. Institutional strengthening and training activities have assisted countries in developing legislative frameworks for implementing the phase-out adapted to their specific circumstances and in overcoming informational barriers hindering the phase-out process. GEF activities spurred domestic action and had a catalytic effect. As one result, countries that completed their GEF projects have been able to design and implement follow-up activities, ensuring that ODS phase-out is continued and sustained. This has included public awareness campaigns, specific legislation, and further development of recovery and recycling schemes (for example, in Hungary, the Czech Republic, and Bulgaria).

6 Ozone depleting substances included in Annexes A and B of the Montreal Protocol.

53. The learning process supported by GEF activities has been especially relevant to recovery and recycling (R&R) efforts (see box 7), where hard lessons had to be learned about the necessary conditions for success. Later activities in this area have benefited from experiences in some of the early GEF projects (e.g., the Czech Republic). This has resulted in requiring recipient countries to have legislation in place for controlling the import of ODS and ODS-based equipment before any R&R schemes are implemented. In this area, the interdependence between subproject implementation and supporting activities (legislation) becomes most obvious.

54. The success of GEF's ozone program is largely the result of its special design features, which might serve as examples and blueprints for future GEF activities (in the ozone area or others). Two common themes, domestic commitment and an integrative approach, provide a "red thread" across the four design features that have enabled a successful operation of GEF's ozone program:

- Creation and enhancement of domestic commitment to the environmental goals pursued, which has been furthered by ensuring active involvement of the country in project development and implementation and by creating relevant institutional capacity;

- Integration of subprojects in a sectoral strategy that is itself integrated into a country-wide approach;

- Integration of problem-specific activities in a broader effort to build capacity and develop a suitable policy framework; and

- Integration of problem-specific solutions in a comprehensive approach that considers the further environmental externalities potential solutions might have.

55. Finally, the review concluded that collaboration among GEF's implementing agencies has been especially good in the ozone focal area. Several of the projects underway involve contributions by more than one agency.

4. SUMMARY OF RECENT EVALUATION FINDINGS

56. Program evaluations and other reviews conducted by GEF's corporate M&E team and/or IAs provide insights and lessons that complement those from the PIR. This section summarizes the findings of six evaluations, thematic reviews, and other assessments carried out during the past year that are especially relevant to the themes examined in this year's review. The first two of these evaluations have recently been completed. The remaining four are still in the final stages of review; thus, their conclusions may be refined as a result of these ongoing consultations.

A. INTERIM ASSESSMENT OF BIODIVERSITY ENABLING ACTIVITIES[7]

57. GEF has supported biodiversity enabling activities (EAs) to help countries meet their obligations under the Convention on Biological Diversity (CBD). An interim assessment was carried out during 1999 by the GEF Secretariat's monitoring and evaluation team to gauge the responsiveness of GEF to guidance from the Conference of the Parties (COP), effectiveness of GEF's operational criteria and policies in designing enabling activities, and progress achieved in countries through enabling activities, and to identify lessons learned.

58. The assessment was based on information collected from a variety of sources: interviews and reviews of key documents at the implementing agencies, the GEF Secretariat, and the CBD Secretariat; visits to 12 countries and case studies on three others; and two regional reviews on the Arab States and South Pacific Islands. It was carried out by a team comprised of staff members from the three IAs, the GEF Secretariat, and independent consultants. In addition, local and regional consultants worked with the team during the country visits and in preparing regional and country case studies.

59. Biodiversity enabling activities provide assistance to countries to develop national biodiversity strategies and action plans (NBSAPs) as required by Article 6 of the CBD, and to complete their first national reports to the COP. As of March 1999, GEF had approved funding of US$24.8 million for biodiversity EAs in 121 countries. UNDP accounts for nearly two-thirds of the portfolio in terms of number of countries. Twenty-eight countries reported having finalized their NBSAPs, and 20 having their NSBAP in draft form, by March 1999.

60. The assessment found that GEF response to guidance from COP 2 was appropriate and satisfactory. COP 2, held in Jakarta in November 1995, requested GEF to facilitate urgent implementation of Articles 6 and 8 by making available to developing country Parties financial resources for projects in a flexible and expeditious manner. In response, the GEF developed the *Operational Criteria for Biodiversity Enabling Activities* to define a fast-track mechanism for such projects, which became effective in April 1996. Though the development and initial implementation was slow, a routine review and approval process was soon in place. However, the operational criteria seem to have been employed largely in the discussions between the GEF secretariat and IAs. In practice, they are unknown to many key government officials in recipient countries, although they was distributed to the GEF focal points in the countries.

7 The full report of this evaluation, and a summary evaluation report, are available on the GEF web site (www.gefweb.org). Copies may also be requested from the M&E team, GEF Secretariat, telephone: (202) 458-2548, fax: (202) 522-3240, email: geflessons@gefweb.org.

61. In contrast, GEF had difficulties in translating the wide-ranging guidance from COP 3. This meeting provided guidance to GEF on support for national activities and programs in biosafety, taxonomy, agrobiodiversity, the clearinghouse mechanism (CHM), incentive measures, genetic resources, indigenous communities, and ex situ conservation. GEF's response to COP 3 guidance consisted mainly of revising the operational criteria to state that future projects should support basic capacity building for planning purposes and may emphasize the issues listed in the guidance. The review found that many countries have experienced difficulties addressing COP 3 guidance in a comprehensive manner and most have little idea how to do so.

62. Though projects are "cookie-cutter" designs, the review found considerable flexibility in some countries in implementation. EAs have been relatively homogenous in terms of the amounts of time and resources devoted to them. Recipient countries almost universally argued that they would have liked more financial resources for enabling activities, mainly for stakeholder consultations and workshops. In addition, nearly all countries nearing completion of NBSAPs are realizing that inadequate financial provision has been made for transition into an implementation phase. National coordinators generally worked effectively with project managers in the implementing agencies to reallocate funds between different project activities as needed.

63. After the operational criteria were approved, the project processing time in GEF has dramatically shortened. During 1995, it took an average of 500 days for an EA to be processed from receipt of request by the implementing agency to signing of the project document with the country. By 1998, processing time had decreased to 100 days.

64. Most countries carried out worthwhile and cost-effective national biodiversity planning, or are doing so now. Most of the NBSAPs reviewed by the team were well-informed and impressive documents, containing reasonable assessments of current biodiversity status and trends. Given that the stated objectives of EAs are extremely ambitious and set a very high standard for any country to achieve, it may be more realistic to think of these activities as setting the stage for starting national biodiversity planning. Notable and significant progress has indeed been made by many countries, but developing and implementing national plans that can slow current rates of biodiversity loss, and enhancing the commitment and capacity to implement such plans, are still some way off. Some specific findings emerging from countries covered in the sample are highlighted in Box 6.

65. The assessment recommended increased emphasis by GEF on providing national biodiversity planning support, including helping countries interpret and respond to new issues being emphasized by the CBD. This would include sharing best practices by experienced professionals from countries that had relatively successful EA projects. IAs need to intensify efforts to strengthen coordination among themselves and to integrate NBSAPs more aggressively with their own regular operational activities in individual countries. The review also recommended that GEF develop a more strategic and focused response to emerging guidance from the COP. Finally, the review concluded that GEF needs to further clarify its role in supporting the implementation of NBSAPs. The GEF does not have the resources to support NBSAP implementation on a large scale and may be better suited to facilitating partnerships between countries and other donors.

66. In the course of conducting the assessment, the team identified several best practices for preparing NBSAPs. They can be grouped into 12 categories, all of which are best understood in the country contexts in which

BOX 6. EARLY IMPACTS OF BIODIVERSITY ENABLING ACTIVITIES

Country motivation. Most countries took the preparation of NBSAPs seriously. A significant amount of interest and participation was elicited from a range of stakeholders, through workshops and consultations, as well as awareness raising activities.

Stakeholder involvement. Despite budget constraints, participation by key stakeholders compares favorably with previous environmental planning exercises in most countries.

Public support. Public awareness of the biodiversity planning process compares favorably with previous efforts. Several countries included effective media campaigns. Preparing NBSAPs and First National Reports seems to have deepened governments' awareness of their obligations under the CBD and helped more key officials understand significant biodiversity issues.

Links with related initiatives. Some countries that had already engaged in earlier planning exercises seem to be suffering from environmental planning fatigue, with little to show in terms of implementation. More seriously, it was evident in several countries that NBSAP preparation has not been linked or coordinated effectively with other, concurrent donor-sponsored planning initiatives, with the different donors' needs and priorities simply proving incompatible. The prospects for effective implementation of such NBSAPs would most likely be poor.

Action plans. Many action plans are little more than unprioritized lists of projects for international funding, apparently aimed more at international donors than a national audience. While a few action plans propose national policy and institutional changes, the majority seem to be aiming to conserve biodiversity through a project-based approach.

Institutional sustainability. The temporary nature of many of the NBSAP teams, consisting mainly of consultants, raises doubts about the sustainability of any learning or capacity building that has taken place. Often NBSAPs were managed by government agencies with very little political and/or administrative strength.

Issues emphasized by the COP. NBSAPs have focused on biodiversity conservation. The other two objectives of the CBD—sustainable use and equitable benefit sharing—have received much less attention. The issues highlighted at COP 3 have also received relatively little emphasis.

Inter-sectoral issues. There has been relatively little substantive involvement in NBSAP preparation of key agencies responsible for land use decision making in agriculture, forestry, mining, energy, or transportation. As a result, inter-sectoral issues have not been seriously addressed in most countries' NBSAPs.

they were successful. They show how creativity and flexibility can aid in developing NBSAPs[8]:

- Follow an iterative approach to project preparation to develop a workable implementation plan.
- Organize a committed professional team to lead and coordinate implementation.
- Implement with flexibility to adapt to local situations and needs.
- Aim for representativeness in selection of sites and participation of stakeholders.
- Conduct the process in a highly participatory manner and use innovative mechanisms to enhance popular participation.
- Provide creative mechanisms to foster sharing of scientific data and expertise.
- Include capacity building in the process of implementation.

8 For additional discussion of these lessons, see *GEF Lessons Notes* No. 9, December 1999.

- Develop effective communications to expand awareness.
- Build linkages and integrate with other relevant initiatives.
- Make effective use of local and regional expertise.
- Integrate groups at the highest levels into larger overall development activities.
- Facilitate the sharing of knowledge and experience with other institutions and countries.

B. GEF IMPACTS ON PHASE-OUT OF OZONE DEPLETING SUBSTANCES

67. Reporting on the implementation of GEF-supported projects in the ozone focal area for previous PIRs was mostly limited to project activities. Therefore, in 1999 the GEF Secretariat, supported by UNEP's Division of Technology, Industry and Economics, commissioned a study of the state of implementation of overall ODS phase-out programs in the 19 countries with economies in transition receiving GEF assistance. The study[9] compares actual trends in ODS production and consumption with the original implementation schedules contained in country programs and GEF projects to document progress and highlight remaining problems. It provides a broader basis for judging the impacts of GEF support and for establishing benchmarks for future implementation in countries that have not yet completed their phase-out programs.

68. Country programs for ODS phase-out include data on production and consumption of ozone depleting substances in a base year and identify subprojects proposed for implementation. They have usually covered only consumption of ODS, since only four countries eligible for GEF assistance were producers.

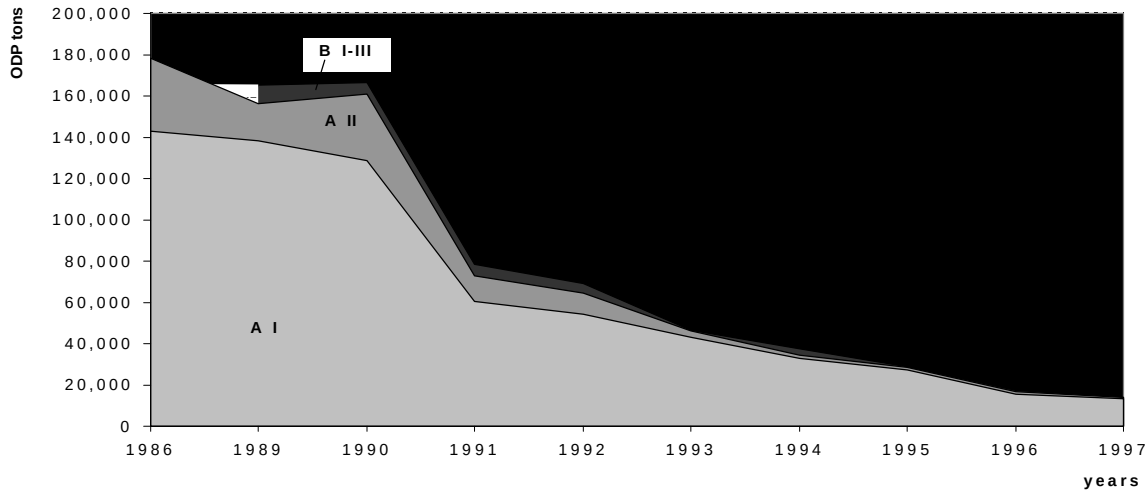
69. Most of the countries receiving GEF support have faced considerable difficulties fulfilling their obligations under the Montreal Protocol to phase out ODS contained in Annexes A and B of the Protocol. Nevertheless, total consumption of these substances in the countries reviewed decreased from about 190,000 ODP tons in the late 1980s to less than 15,000 ODP tons in 1997, a drop of more than 90 percent (see Figure 4). Production has been reduced accordingly. Of the four original ODS producers, only Russia has sustained a considerable production capacity and that is set to be converted by mid-2000.

70. Central and Eastern European countries by and large appear to have completed the transition to ozone-friendly technologies. The major remaining consumers of Annex A and B substances are the Newly Independent States and the Baltic countries, and they are expected to come into compliance with the Montreal Protocol between 2000 and 2003. However, some countries (e.g., Estonia, Tajikistan, Kazahkstan) are only in the initial stages of preparing and implementing their country programs. Given the experience with the time required to reach full effectiveness of related GEF projects, they will likely face difficulties achieving a timely transition.

71. Countries have pursued a mix of policies and measures to phase out ODS. They are well advanced with respect to implementing controls

9 *Study of Impacts of GEF Activities on Phase-Out of Ozone Depleting Substances*, by Sebastian Oberthur, Ecologic, November 1999. The full report of this evaluation, and a summary evaluation report, are available on the GEF web site (www.gefweb.org). Copies may also be requested from the M&E team, GEF Secretariat, telephone: (202) 458-2548, fax: (202) 522-3240, email: geflessons@gefweb.org.

FIGURE 4
CONSUMPTION OF ANNEX A AND B SUBSTANCES IN COUNTRIES WITH ECONOMIES IN TRANSITION FROM 1986/1989 TO 1997



Note: The time series was included only when data for at least half of the years was available. The figure is thus based on incomplete data.

on trade. The degree to which they have used economic instruments such as taxes and other charges is noteworthy and is likely to help establish economic instruments in other areas of environmental policy. In contrast, use restrictions related to certain substances and sectors are less developed.

72. The study concluded that GEF has played a crucial role in the phase-out process in these countries, not only by providing much needed financial assistance, but by making available technical expertise, supporting learning and dissemination of project lessons within countries and regionally, and assisting in establishing suitable legal frameworks. GEF support has been instrumental in securing recipient countries' commitment to phase out all ODS use in accordance with schedules established in cooperation with the Montreal Protocol. On a country basis, roughly 20 percent to 60 percent of total ODS consumption in the country program base years has been phased out directly with the assistance of various GEF projects. GEF projects have helped sustain ODS phase out by reducing demand for these substances. GEF support has also produced desirable effects through non-investment actions in at least two ways:

- institutional strengthening and other supporting activities have been part of GEF assistance in almost all countries. They have helped countries develop legislative frameworks for implementing the phase out adapted to their specific circumstances and in overcoming informational barriers hindering the phase out process, not least in the servicing sector. These components have been essential to make the investment subprojects part of an overall strategy for ODS phase out. Increased institutional capacity and the establishment of information exchange has also enhanced some of the positive side effects, such as the dissemination of project lessons and mutual learning. Overall the effectiveness of GEF support must be measured not only in ODP tons phased out by investment subprojects, but in supporting activities related to creating suitable policy frameworks.

- GEF support has also enhanced the commitment by recipient countries. It has only covered the most difficult activities that could not have been implemented without assistance. The remaining parts of national strategies developed by the countries had to be implemented by domestic means. In this way, GEF activities spurred domestic action and had a catalytic effect. As one result, countries that completed their GEF projects have been able to design and implement follow-up activities, ensuring that ODS phase out is sustained. These have included public awareness campaigns, legislation, and further development of recovery and recycling (R&R) schemes.

BOX 7: LESSONS LEARNED FROM RECOVERY AND RECYCLING SCHEMES

The major sector posing problems in completing and sustaining the phase out of Annex A and B substances in virtually all countries is refrigeration servicing. The dominant part of consumption of these substances increasingly consists of refrigerants. As drop-in substitutes are rarely available, demand persists for the lifetime of existing equipment. Most GEF projects include R&R activities to ensure limited supply of refrigerant for residual demand. Experience with the implementation of R&R subprojects, however, is mixed at best. For example, in the Czech Republic, refrigerant has been recovered but not delivered to reclamation centers because the free-market price of the refrigerant was higher than the redemption rate paid to technicians. In other cases, the price of virgin material was so low that technicians had no incentive to recover the refrigerant, even when well trained and equipped. As a result, UNDP now requires recipient countries to have legislation in place for controlling the import ofODS and ODS-based equipment before R&R schemes are implemented. UNEP has worked with countries in a regional context to improve legislative frameworks. These and other activities, including regular monitoring and evaluation after the completion of R&R training and supply of equipment, are expected to improve the situation.

73. The learning process supported by GEF activities has been especially relevant to R&R efforts, where hard lessons had to be learned about the necessary conditions of success. The refrigeration servicing sector has posed special problems that the implementation of R&R schemes addressed with only partial success. Later activities in this area have without doubt benefited from the experiences in some of the early GEF projects (e.g., the Czech Republic).

74. Delays of various lengths have been experienced in country programs. Although the time between completion of a country program document and the start of the corresponding GEF project was less than a year in some recent cases, the lag in others was several years. These delays were caused by the need to develop regular procedures for preparation, approval, and implementation in the early years of the program; the multiple steps involved in the GEF project cycle; the unstable economic circumstances in many countries that required re-planning as the financial viability of some enterprises involved in investment subprojects changed; and GEF's requirement since the mid-1990s that countries ratify the London Amendment to the Montreal Protocol in order to receive assistance. These delays contributed to a slowing down of the phase-out schedule anticipated in many country programs.

75. Despite these problems, the study concluded that GEF's ozone-related activities have been generally successful in achieving their objective, i.e., enabling compliance with the Montreal Protocol by recipient countries. This success is largely the result of four design features that characterize the portfolio:

- **Domestic commitment.** Whereas the country strategy was generally elaborated with GEF support, the country program was adopted formally by the respective country. This enhanced the commitment

to ODS phase out and activities envisioned to achieve it. The GEF grant was used to cover the most difficult activities that could not have been achieved otherwise and to catalyze domestic efforts to cover the remainder.

- **Integrating subprojects into sector and country strategies.** GEF activities enabling compliance with the Montreal Protocol have started from a country-wide program complemented by sector approaches to ODS phase out.

- **Integrating the GEF project in general capacity building.** GEF projects took an integrated approach in addressing economic as well as political and legal obstacles. Institutional strengthening and development of suitable policies and measures have been a vital part of these activities. As many of the problems addressed are of a trans-border character, it has proven useful to coordinate such policy development regionally. Institutional strengthening greatly assisted recipient countries to create capacity for pursuing ODS phase out and enhance commitment to this objective.

- **Integrating ODS phase out with other environmental objectives.** The GEF strategy was innovative in taking an integrative approach toward global environmental problems, especially climate change. Experience in creating these synergies, however, has been mixed, and points to the need to closely monitor subproject planning to ensure that clients are aware of the preferred options and applicable guidelines are observed.

C. OTHER EVALUATION WORK IN PROGRESS

1. Review of the World Bank's GEF Portfolio in the Context of its 1991Forest Policy

76. As an input to a broader review of the World Bank's 1991 forest policy and its implementation, the GEF Secretariat's M&E program and the Bank's Operations Evaluation Department commissioned a background paper on the World Bank's GEF forestry portfolio.[10] The paper examined 44 forestry projects that have received US$370 million in GEF funding. These projects represent a significant proportion of the Bank's forestry portfolio.

77. The review concluded that GEF has been instrumental in allowing the Bank to pursue many aspects of its 1991 forest policy. The conservation orientation of the policy and the co-evolution of the Bank's participatory approach and GEF's principles on public involvement allowed both organizations to fulfill their mandates to improve the conservation of forest resources. Both the Bank's forest policy and GEF stress capacity building, international cooperation, and sustainability.

78. Among the achievements highlighted by the paper are the following:

- **Increased access and coverage.** GEF funding allowed the Bank to remain active in forestry policy and fulfill, partially, the 1991 forest policy mandate to conserve tropical moist forests in 16 of the 19

10 *Financing the Global Benefits of Forests: The Bank's GEF Portfolio and the 1991 Forest Policy*, by J. Gabriel Campbell and Alejandra Martin. At this writing, the background paper is undergoing final consultations and review, together with other materials from the OED Forest Policy Review. This summary is prepared from the February 10, 2000 draft of the background paper.

countries identified as priorities. GEF funding also provided the Bank with an opening to Eastern European countries and allowed it to maintain policy dialogues and projects on forestry in Africa.

- **International cooperation.** GEF provided a means for the Bank to put together and finance regional multi-country projects, enabling it to achieve more progress on the forest policy mandate for international cooperation than would have been likely otherwise. Regional initiatives cover the Congo basin, Eastern Europe, the Meso-American corridor, and Central Asia, and include corridor protection, coordinated policy development, and shared data systems.

- **Protected area conservation.** Together, the GEF and Bank contributed to the conservation of specific forest sites and species and the development of forest resources to offset climate change in 44 countries. Seventy-five percent of the portfolio has gone to expanding and improving protected area management through capacity building, planning, applied research, infrastructure, publicity and education, and a number of linked community development and buffer zone investments. This approach has been widely accepted, although the implementation performance is considered mixed, and the impact has not been measured.

- **Legitimacy.** The Bank's GEF portfolio, and the policy and sector activities that went along with it in many countries, were instrumental in increasing the legitimacy of conservation investments in many countries. As a result, elements of civil society, including NGOs and elected representatives, along with government agencies, have added influence and greater impact on their countries' policies.

- **Leverage.** GEF funds have increasingly been able to leverage additional Bank, bilateral and host country co-financing. Although questioned by some, most task managers and independent experts are of the opinion that much of these are additional funds for forest biodiversity conservation that would not otherwise have been available.

- **Poverty reduction.** Given the high incidence of poverty among most of the forest and buffer-zone dwelling communities, the community-based approach to conservation of most of the projects has helped to increase the poverty reduction impacts of the portfolio. However, the magnitude of these impacts has not been measured.

- **Innovation.** The Bank's GEF portfolio has played a key role in supporting innovations that might otherwise have remained at a very small scale. The pilot projects supported in Brazil and Mexico, the new instruments developed in Costa Rica, and the institutionalization of community-based approaches to conservation in China, Indonesia, India, and Uganda are some of the many examples of support for innovative approaches at national scales. NGOs have played a critical role in identifying and testing innovative approaches that have been supported by the Bank/GEF portfolio.

79. The paper also identifies a number of areas in which experience has been disappointing or where additional attention is needed. They include:

- **Unrealistic goals for mainstreaming.** While there has been progressively more mention of global forest conservation goals within country plans and the Bank's country strategies, conservation remains a low priority relative to other economic and social development objectives. GEF

objectives have not become part of the mainstream of most countries' development agendas, or of World Bank Country Assistance Strategies. In fact, biodiversity issues are unlikely to be given priority equal to other economic and social concerns in the short or medium term. Both the Bank and GEF may need to accept more realistic objectives for biodiversity mainstreaming, and the fact that concessional and/or new forms of financing will be required to make conservation sustainable in many developing countries for a long time to come.

- **Lack of strategic focus.** The scale of GEF project assistance is far less than needed to begin to offset benefits foregone from wholesale logging and land conversion, especially in moist tropical forests. At the same time, although the project portfolio has helped pilot innovative models and increase support for forest biodiversity conservation in many countries, it has had limited strategic content for dealing with the formidable problems of scale and low perceived priority. Projects lack an overall framework that would allow them to have more significant program impacts and use limited funding more strategically.

- **Limited impact on country-level policy.** With the important exception of supporting policy changes that increase community participation in conservation, most projects have had limited policy or legal reform content. While many projects have policy elements, these have mostly represented piecemeal approaches.

- **Insufficient attention to threats to biodiversity.** While some individual projects have conducted rigorous analyses of threats to biodiversity, many others have not. Projects have too often assumed that local communities are the source of greatest threat, or that they are capable of dealing with the outside threats posed by logging, agricultural plantations, and infrastructure projects. Projects and policy initiatives have not sufficiently developed systematic strategies for identifying and working to overcome threats originating in other sectors.

- **Inadequate work with the private sector.** There has been a widely recognized failure to engage the private sector in most projects despite its major impact on forest biodiversity. Both governments and NGOs have often been reluctant to work with the private sector, even in sectors such as tourism, and GEF policies have not developed frameworks for including these critical stakeholders.

- **Weak performance on gender.** Although there is widespread recognition of the key roles women play in natural resource use and management in most developing nations, almost three-quarters of the Bank/GEF projects reviewed have not been able to include women in the process of project design and implementation. The difficulty of increasing women's participation in the face of forestry establishment resistance in many countries must be acknowledged, but improved performance in this area is needed.

- **Uncertain sustainability.** With the partial exception of endowment trust funds, most of the portfolio has paid inadequate attention to sustainability. In part this stems from the underlying dilemma of seeking to support investments for their global benefits while attempting to get countries to take over financing in the future based on national interests. However, it also is a result of inadequate appraisal of alternative sources of financing that may be available through royalties, fees, private sector investments, or carbon trading options, as well as the social and institutional dimensions of sustainability.

- **Inadequate monitoring of results.** Measuring the impact on the ground of the Bank's GEF portfolio has not taken place. This is partly due to the inherent difficulties of measuring biodiversity and project change, but is also due to inconsistent and inadequate project monitoring and evaluation efforts. The lack of project and overall portfolio monitoring and evaluation constrains the development of a more targeted and effective program strategy as well as the expansion of governmental, Bank, and public support for forest conservation.

2. Thematic Review: Achieving Sustainability of Biodiversity Conservation

80. During the 1998 PPR, a small number of "thematic reviews" were proposed and identified. One issue identified for review was the financial sustainability of biodiversity projects. As a result of subsequent consultations, the scope of the review was expanded to include factors that influence the overall *sustainability of biodiversity conservation*. The review involved four components: a broad literature review, a paper commissioned from IUCN on NGO perspectives on sustainability, consultations with other donor agencies, and a desk review of GEF project experience. The report of the review was discussed at the biodiversity PIR meeting, and is summarized below.[11]

81. Focusing broadly on the sustainability of biodiversity conservation leads to four overarching conclusions: (a) it is essential to identify clearly what biodiversity one seeks to sustain, on what scale, and over what time period; (b) because much biodiversity will remain outside protected areas, a discussion of sustainability must include conservation and sustainable use on privately owned lands; (c) the major factors that affect sustainability are the socioeconomic and political root causes of biodiversity loss; and therefore (d) a comprehensive, long-term, and adaptive approach is needed to conserve biodiversity sustainably. Because of this, the discussion of sustainability should shift from "how can we design a project that will contribute to biodiversity conservation, and what does it take to make it sustainable?" to "what does it take for biodiversity conservation to be sustainable, and how can we design a project (together with other activities) to contribute to that?"

82. With this perspective in mind, the review identified eight principal factors that influence the sustainability of biodiversity conservation. The central ingredient is the **political will** to conserve and sustainably use biological diversity. It is critical for everything else, and its absence is widely lamented as a cause for continuing biodiversity loss. Political will is essential at many levels: locally, nationally, and internationally. Two key factors that influence political will are **awareness and understanding** of the value of biodiversity and the benefits of its conservation, and the **capacity of institutions and people** to influence policy, engender commitment to conservation, and effectively channel resources to and carry out actions in the field. Institutional capacity and awareness, of course, are also affected by the degree of political will. In addition, three other important ingredients to sustainability are largely the product of adequate political will: the **policy and legal framework** and the incentives it provides for (or against) conservation; the extent to which the value of biodiversity and the services provided by robust, biodiverse ecosystems are reflected in markets and, therefore, **resource uses**; and the adequacy and diversity of **financial resources** allocated for conservation. Finally, two additional factors impact on the others in a cross-cutting way. The

11 *Achieving Sustainability of Biodiversity Conservation*, by Scott E. Smith and Alejandra Martin. Consultations are continuing on the report of the review. This summary is based on the January, 2000 draft.

international context of policies, commitments, and organizations is a very important determinant of sustainability of biodiversity nationally and globally. And the availability of **sound science and reliable information** is essential to support all of the other ingredients of sustainability.

83. GEF brings many advantages to the challenge of sustaining biodiversity conservation that it should exploit strategically. Its relationship with the CBD, its reliance on implementing agencies that are major development organizations with extensive relationships in recipient countries, its network of national and NGO focal points, and its governance structure provide GEF unique access to policy makers and civil society leaders; opportunities to link governments, international organizations, and NGOs; and a facility to serve as a catalyst for increased coordination on issues related to biodiversity conservation. GEF's emphasis on country ownership reinforces the integration of the "global" question of biodiversity into national policies and priorities. Similarly, GEF's principle of stakeholder involvement, history of reaching out to NGOs, and involvement of the scientific and technical community increase chances of stimulating the multi-level and multi-sectoral partnerships needed to sustain biodiversity conservation.

84. The review concluded that it is not realistic to expect that sustainability of biodiversity conservation can be achieved through one relatively short project. In many places, achieving sustainability will require GEF involvement and funding for substantial periods of time, i.e., 10 years or more. It is doubtful that GEF's resources will allow it to address biodiversity conservation this way everywhere, however. It should also support more limited activities that seek to overcome a specific constraint or barrier without a long-term commitment.

85. With the intent of stimulating discussion, experimentation, and learning within GEF and among its partners, the review made five suggestions for priority attention:

- give more explicit attention to ways to increase political will for biodiversity conservation locally, nationally, and globally, and internalize biodiversity considerations in national policies and priorities;
- do more to promote multi-level and multi-sectoral partnerships within countries, and multi-national partnerships and networks internationally;
- do more to articulate the values of biodiversity and the benefits of its conservation and sustainable use, and work to see that they are accurately reflected in markets and decisions at all levels;
- continue experimentation with innovative conservation financing mechanisms; and
- expand adoption of more flexible project instruments that are consciously experimental and/or provide a basis for longer term support in the context of clear performance milestones.

3. Thematic Review: Rural Solar Home Systems

86. Since 1991, GEF has funded 20 off-grid solar photovoltaic (PV) projects, and four more projects are under preparation. Though specific objectives vary, the projects generally aim to stimulate and achieve commercialization of solar PV systems while providing rural development benefits. They can be classified into two primary types: those that promote sales of solar home systems to rural households through private dealers ("sales model") and those in which an energy service company (ESCO) provides electricity for a fee to rural households ("service model"). Under the sales model, consumer credit may be provided by the dealer, by a microfinance organization, or

by a development finance institution. In almost all projects incorporating the service model, the energy service company is government-regulated and awarded monopoly status for specific geographic regions (the main alternative being an open-market approach without regulation). Two projects, the Photovoltaic Market Transformation Initiative (in India, Kenya, and Morocco) and the Solar Development Group (global) can fund solar businesses of both types.

87. A "thematic review" was conducted by the GEF Secretariat M&E team in 1999 to document the experience with the design, implementation, and impacts (for completed projects) of solar PV projects. The review sought to identify characteristics that have been responsible for project performance, whether (and how) projects that have completed implementation have sustained project achievements or promoted replication, and the roles played by different stakeholders and their impact on project performance. The review included visits to six countries. The lessons emerging from the review are summarized below.[12]

88. **Viable business models must be demonstrated to sustain market development for solar PV.** Demonstration of a viable business model, whether that business is public, private, a utility, or even permanently subsidized, is key to achieving project sustainability and achieving GEF's objective of transforming (or developing) markets for solar PVs. Viability means showing expenses and receipts, cash flow, management, and service arrangements that demonstrate an entity can continue to exist and function on commercial or near-commercial terms. Projects must be careful to avoid an "equipment demonstration" mentality where the main objective is installation and maintenance of a certain number of systems. By project completion, the number of systems installed is much less significant than whether the business, delivery, and credit models are viable, sustainable, and being replicated. This emphasis requires implementing agencies to rethink traditional development assistance patterns and evaluation techniques.

89. **Delivery/business model development, evolution, and testing require time and flexibility.** Building markets and identifying viable sustainable delivery models in specific contexts are slow and time-consuming processes requiring a much greater degree of flexibility and adaptation than currently allowed by most GEF project designs. GEF projects do not allow sufficient time or resources to first identify the most promising approaches and then develop those approaches to a point where their viability and sustainability are tested. Projects should explicitly allow for trying multiple models and for adapting and modifying them until viable approaches become clear. Insufficient project duration, delays in project start-up, and inflexible project completion dates can hinder this process.

90. **Institutional arrangements for project implementation can greatly influence the value of the project in terms of demonstrating viable business models and thus achieving sustainability.** The Renewable Energy Services project in Ghana was designed to demonstrate a business model in which the national utility would provide services for a fee to rural households using solar home systems. At the end of the project, the viability of this model in terms the costs, service, cash flow, and management of these installations could be assessed from the utility's perspective. An explicit project objective was to convince other private companies to enter the market by demonstrating this model. But responsibility for the project was transferred to an office of

12 At this writing, the report of the review is still in preparation. It is expected to be available from the GEF Secretariat Monitoring and Evaluation team in April 2000.

the Ministry of Energy early in implementation. Although this office may succeed in installing and servicing a given number of systems, the fact that no separate, defined entity exists for which business viability can judged and demonstrated means that sustainability is highly questionable. Changes in institutional arrangements can go unnoticed by GEF or implementing agency staff; but the overriding importance of sustainability and replication demand a greater awareness of how these arrangements affect the demonstration value of a project.

91. **Projects must explicitly recognize and account for the high transactions costs associated with marketing, service, and credit collections in rural areas.** Long distances, poor transport infrastructure, impassable roads during monsoons, low literacy rates, cash-and-barter-based transactions, and lack of technical skills all mean that costs of operating a rural PV business, whether sales or service-for-fee, can be quite high. The costs and staff time needed for marketing, credit or fee collections, providing service, establishing business infrastructure, and training staff can easily absorb already slim profit margins. In Sri Lanka, dealers decided not to offer consumer credit, citing the high costs of credit collections in remote rural areas. In Bangladesh, a dealer was investing heavily in marketing out of its own operating budget (without government or grant assistance), seriously affecting its ability to begin to make a profit. No one has figured out a universally applicable approach to low transaction costs. Dealers and energy service companies need experience, training, and developed business infrastructure in rural areas to enable effective operations with low transaction costs.

BOX 8. TWO APPROACHES TO PROVIDING SOLAR ENERGY IN RURAL AREAS

Two projects illustrate the primary GEF approaches to providing electricity through solar PV. The Renewable Energy project in Ghana is a service-for-fee project, while the Photovoltaic Pilot Project in Uganda is a sales project. Both are being implemented by UNDP and had been under implementation for under a year at the time of the thematic review.

The goal of the Ghana project is to establish a sustainable capacity to provide decentralized renewable-energy-based electricity services to rural communities through the service-for-fee model. It is implemented by a special office (RESPRO) in the Ministry of Mines and Energy (MOME). RESPRO is intended to act as a for-profit enterprise to be "spun-off" as a private sector company towards the end of GEF project. This is a departure from the original design, which called for the project to be implemented by the Volta River Authority/Northern Electric Department (VRA/NED), the electricity utility in Ghana, which is expected to be privatized in the future. The current implementation structure raises questions about the potential for privatization of RESPRO, as it is housed within a ministry. The project targets some of the poorest households in northern Ghana, and expects to sell electricity through installation of 50 Wp (for US$7 equivalent per month) or 100Wp (for US$12 per month) in households. Willingness-to-pay surveys and demand from households show that these rates are affordable. However, it is not clear whether these rates can generate enough revenue for the project to demonstrate near commercial terms of operation, accounting for the costs of capital as well as operation and maintenance.

In contrast, the Uganda project is based on the sales model. Credit is being provided through two local credit institutions: a private rural development bank and a credit union type women's trust. In addition to the GEF grant, UNDP has provided co-financing to guarantee the credit lines of these institutions. The project is clearly targeted toward those who are credit-worthy and can afford the cost of credit. Households that cannot afford commercial credit still constitute a majority of the rural population. Removing market barriers may thus facilitate increased access to clean energy by the top 10 percent of the rural households.

Though results are yet to be delivered, the fee-for-service delivery model seems to be more oriented toward the poorer of the rural population compared to the sales model. Also, the fee-for-service model looks affordable to larger sections of the rural population, and hence might have better potential for developing large markets for rural solar PV applications

92. **Consumer credit can be provided effectively by microfinance organizations with close ties to the local communities if such organizations already have a strong history and cultural niche in a specific country; dealer-supplied consumer credit appears less promising.** Under the sales model, a few projects are successfully providing consumer credit through microfinance organizations (Sri Lanka) and a development finance organization (Zimbabwe and Vietnam). However, the sustainability of these consumer credit mechanisms is questionable in two of the three. The Agricultural Finance Corporation in Zimbabwe has not been able to replenish its revolving credit fund. In Vietnam, microfinance by the Vietnam Women's Union (VWU) is partly dependent on IFC financing of credit guarantees to a development finance institution that is lending to the VWU. In Sri Lanka, consumer credit by microfinance organizations appears sustainable, perhaps because Sri Lanka has a strong and long-standing microfinance industry.

93. **Projects have not yet produced adequate experience with dealer-supplied credit.** There is one successful example of dealer-supplied credit—in Bangladesh. But sustainability depends on continued business financing with long terms (3+ years), which may continue to be secured from development agencies. The Bangladesh project, financed under the IFC Small and Medium Scale Enterprise project, is the only one that shows dealer-supplied credit to be working. The dealer receives long-term credit from the IFC. Once this credit is completed, the dealer may depend on continued development institution assistance unless commercial business financing becomes available for longer terms, which depends upon the dealer's profitability and, in turn, the dealer's ability to overcome high overhead and marketing costs.

94. **Rural electrification policies and planning have a major influence on project outcome and sustainability, and must be explicitly addressed in project design and implementation.** Participants in some projects cited unrealistic political promises or planning for rural grid extension as a serious barrier to SHS market expansion, and one that was not anticipated adequately in project design. Thus, policy development, in conjunction with solar home system delivery models, is crucial both so the areas for which rural electrification is planned are clearly and realistically identified, and so rural electrification planning explicitly takes into account the potential of SHS to provide a least-cost option for supplying electricity to some areas.

95. **Substantial implementation experience is still needed before the success of the service approach can be judged.** The best experience with the service model has taken place in the Dominican Republic, where 3,500 systems have been installed on a fee-for-service basis. One dealer attempted a service approach in Sri Lanka but quickly (perhaps prematurely) gave up on this approach and switched to a sales approach because of the high costs and other difficulties of monthly fee collections in rural areas. Early experience also suggests that selecting and effectively regulating energy-service concessions in rural areas can be a formidable challenge that requires significant assistance and capacity building for regulatory and institutional development.

96. **Post-project sustainability of market gains achieved during projects has not yet been demonstrated in any GEF project; it is too early in the evolution of the portfolio.** During the recently completed Zimbabwe Photovoltaics for Household and Community Use project, the private dealer market was greatly expanded and 10,000 systems were sold under the project, but the provision of continued consumer credit, and the sustainability of many of the businesses created during the project, is still in doubt. Nearing completion, the Energy Services Delivery project in Sri Lanka appears to be closest to demonstrating sustainability, but more time is needed to replicate and amplify the microfinance model to provide greater volumes of installations. Unfortunately, the project is scheduled to close before this model

might be adequately tested. The Solar Home Systems project in Indonesia would have demonstrated the viability of the sales model with dealer credit, but it never got started and is about to be cancelled due to that country's economic situation.

4. Capacity Building Approach Paper

97. The 1998 *Project Performance Report* highlighted the need for a more systematic approach to capacity development in GEF projects, including the assessment of specific capacity building needs and the identification of indicators for measuring the progress and impacts of capacity development activities. As a response, the corporate M&E team initiated the development of an approach paper to integrating capacity development into project design and evaluation. The approach paper has been developed in close collaboration with all implementing agencies, using extensively the expertise available in the agencies and outside. The approach paper will also be an input to the GEF-UNDP Capacity Development Initiative Strategic Partnership. The principal conclusions emerging in the approach paper are summarized below.[13]

98. Many GEF projects contain capacity development activities but there is no unified definition or approach. Each implementing agency approaches the issues from a somewhat different angle. UNDP tends to focus on strategic management and process approaches. The World Bank gives more attention to incentives, competition, and the influence of institutions on organizational effectiveness. UNEP, on the other hand, emphasizes technological improvements in support of environmental management. All of these approaches have merit and can be complementary provided that sufficient and systematic dialogue and mutual learning takes place.

99. Capacity development is increasingly seen as a complex process of innovation and adaptation involving multiple changes at different individual, organizational, and institutional levels. Effectiveness is limited by the reliance on the project as a mechanism to transfer resources in support of capacity development. A large number of GEF projects are still focused on the provision of a limited package of conventional inputs that include training, equipment, and advice, mainly at the organizational level. Capacity development interventions, however, require a broader scope, longer time frame and commitments based on a careful assessment of the capacity needs. The approach paper identifies six operational issues related to capacity development that require attention:

- improved design for capacity development interventions;
- more focus on the process of change;
- more iterative approach to project design and management;
- greater emphasis on the application of usable knowledge;
- more attention to performance management and monitoring; and,
- the need for support services.

13 *Capacity Development and GEF Projects: Some New Operational Approaches*, Universalia. January, 2000 draft. The approach paper will be available on the GEF web site (www.gefweb.org). Copies may also be requested from the M&E team, GEF Secretariat, telephone: (202) 458-2548, fax: (202) 522-3240, email: geflessons@gefweb.org.

100. Capacity development should be seen as a process of organizational change and innovation. Specific change processes need to be planned into a project for each individual, organization, or societal group targeted by the project. For example, if the desired result is to improve the networking ability of targeted NGOs to enable them to engage in the protection of an area of biodiversity, it is as necessary to think through the logic of the change process as it is to provide the content activities required. The technical and organizational content of the change needs to be clear. The change process needs to be internalized, owned, and driven by those undergoing change.

101. Therefore, strategies for change are an important but often neglected part of the project design and reporting. Project designs should include the technical components of capacity development activities, as well as the change strategy that will ensure that the various activities and technical expertise can be accepted or incorporated by the organization or the society and support their development.

102. Creation of a broader range of ways to learn from the past experiences with capacity development is also needed. This includes devoting more resources to analyzing insights from the field, as well as sharing lessons across units and agencies. GEF should promote inquiry and dialogue about capacity development and create continuous learning opportunities for staff.

103. Monitoring and evaluation should focus both on the end results of capacity development, as well as the process. They should include a broader concern for performance management in projects. This would contribute to a move from a culture based on project approval to one more focused on measuring and achieving project and program results.

5. Conclusions of the Review

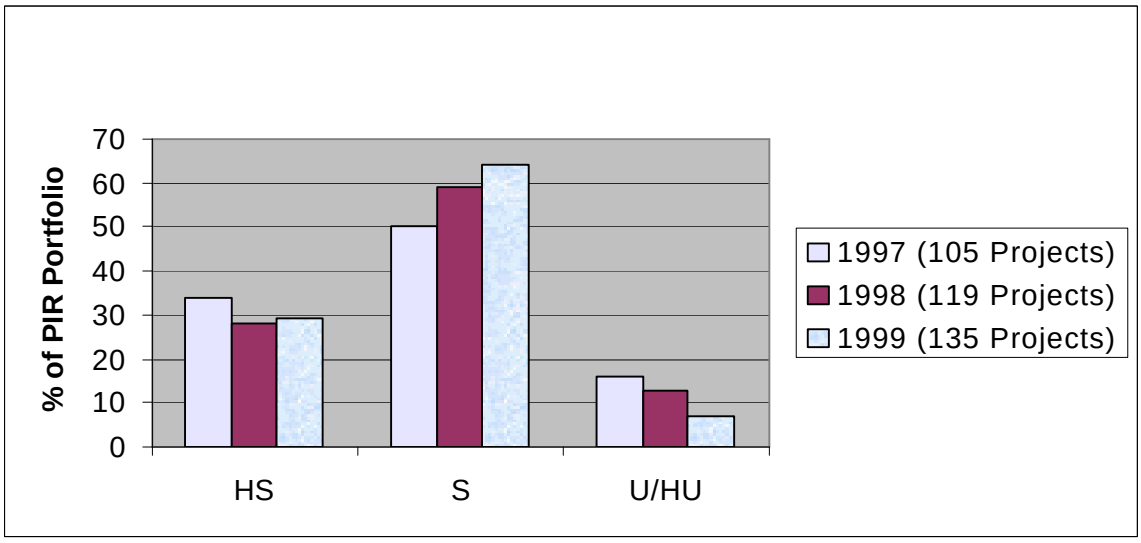
104. This final chapter of the report summarizes the main conclusions of the 1999 performance review. It draws on the results of the PIR and the other evaluations and thematic reviews summarized above. It begins with an overall assessment of the performance of the portfolio in implementation, then highlights five cross-cutting conclusions.

A. Overall Assessment of Performance

105. According to the ratings made by the implementing agencies, there has been an improvement in performance of the GEF portfolio during the last three years. The percentage of projects regarded as "highly satisfactory" on implementation progress, prospects for achieving their global environmental objectives, or both, was basically the same in 1999 as last year-29 percent compared to 28 percent in 1998-but slightly lower than the 34 percent of the 1997 PIR portfolio rated HS. The percentage of projects rated "satisfactory" increased from 50 percent in 1997 to 64 percent in 1999. Projects rated "unsatisfactory" have decreased significantly, from 16 percent of the PIR portfolio in 1997 (17 projects) to 13 percent in 1998 (15 projects) and only seven percent (10 projects) in 1999. Several problematic projects were closed or canceled during the year, and two poorly performing projects were redesigned and are now progressing satisfactorily. In fact, only three projects rated "unsatisfactory" for the 1998 review were included in this year's PIR portfolio with the same rating.

106. Three program evaluations conducted during 1999 concluded that GEF is making a positive difference. The study of country programs to phase out ozone depleting substances found that GEF has played a crucial role in this process in countries with economies in transition, and that GEF's objectives have largely been achieved. The review of the World

Figure 5
Trends in PIR Project Ratings



Bank's GEF forestry portfolio concluded that GEF has allowed the Bank to fulfill its mandate to conserve tropical moist forests in 16 of the 19 countries identified as priorities in its 1991 forest policy, increased the legitimacy of conservation investments in many countries, and played a key role in supporting innovations that otherwise might have remained at a very small scale. The interim assessment of biodiversity enabling activities found that most countries receiving GEF assistance had carried out worthwhile and effective planning, and that notable progress had been made by several in developing national biodiversity strategies and action plans.

107. There was also a general improvement in the quality of reporting for the 1999 review. Use of performance indicators as a basis for reporting was much better than previously. There appeared to have been considerable progress made in "retrofitting" projects with objectives and indicators during the past year, contrary to experience observed in 1998. The basis for assessing performance is expanding as more projects are included in the annual reviews, as project evaluations and completion reports are available, as the number of program evaluations and thematic reviews coordinated by the corporate M&E team increases, and as program status reviews become a regular part of GEF's work program.

108. On the other hand, the quality of individual PIR project reports still varies considerably. Several World Bank reports contained very little narrative or analysis, and were sometimes based on information that was out of date. This has largely to do with the Bank's new system of documenting project supervision, which deliberately restricts extensive report writing. At the same time, increased attention to portfolio management within the Bank is given via quality control reviews by regional operational units and assessments of the quality of supervision efforts undertaken by the central Quality Assurance Group of the Bank. The experience and insights gained from these broader monitoring processes could be more fully reflected in the annual PIR process.

109. In general, PIR reporting in all agencies continues to be focused on implementation actions rather than outcomes, a thoughtful assessment of project impacts, or the broader context within which project activities take place. There was also widespread dissatisfaction with the way ratings are currently used in the PIR process. Concerns were voiced about the extent to which one can rely on self-evaluations by project managers to provide a balanced rating of performance. Rating practices vary considerably among the agencies, and in some cases within an agency. In the absence of any consistent "quality control" on the ratings, fears were expressed that using them in reporting on project performance could be misleading.

B. STRATEGIC CONTEXT FOR GEF PROJECTS

110. A consensus emerged from the PIR reports and discussions, thematic reviews, and other evaluations that projects will achieve their objectives and be sustainable to the extent that GEF also addresses the broader socioeconomic and political context and enabling environment in which they take place. The ozone study identified integration of GEF project activities with a broader effort to build capacity and develop a suitable policy framework as a feature that led to success. The focus on TDAs and SAPs in the international waters portfolio, and the emphasis on barrier removal and market transformation in the climate change portfolio, reflect a strategic approach. A recurring lesson from the review of biodiversity projects, reinforced by the findings of the thematic review, is that the major factors that affect the sustainability of conservation are the

socioeconomic and political root causes of biodiversity loss.

111. While this consensus appears to be increasingly clear, experience indicates that there are obstacles and gaps in GEF's ability to translate it into practice so far. Discussion in the climate change task force during the PIR identified the absence of well-articulated strategies to remove identified barriers to market transformation, and the tendency for project officers to remain focused on implementation details rather than the broader context and objectives. The analytical and strategic planning process—including efforts to involve a wide range of regional, national, and local stakeholders—has been much more complex and has taken more time than expected in the international waters portfolio.

C. Integration of Development and Global Benefits

112. Discussion during the PIR highlighted the importance of integrating GEF-supported activities with national development priorities and programs. A recurring lesson from the biodiversity portfolio is the need for conservation activities to be linked more closely to national development concerns. The presentation on the Rio Bermejo project in the international waters review highlighted the local development benefits of actions to mitigate erosion as a key factor in the success of this effort. The climate change discussion underlined the importance of combining both domestic and global benefits in this portfolio. GEF needs to give attention to ways to develop and articulate clear linkages between development priorities and global environmental concerns, and consider how to more closely integrate its activities with national sustainable development programs while maintaining its unique focus on global environmental issues.

D. Stakeholder Involvement

113. The materials on which the 1999 performance review is based provide a consistent message that the involvement of key stakeholders is crucial to building commitment and ownership, and ultimately, to achieving and sustaining local, national, and global results. GEF's policies on public involvement have often provided a stimulus for greater stakeholder participation beyond the specific activities it has funded. On the other hand, efforts to engage stakeholders have sometimes been inadequate to gain the full benefits of their insights or to build ownership. And while major efforts have been directed at involving communities and other local organizations, there has been less progress with including the private sector and women's groups, particularly in biodiversity programs.

114. Genuinely participative processes have proven to take a lot of time and require more resources than initially expected. Often, however, expectations regarding the length of time or amount of funding required for project design and implementation have not changed to reflect this experience. GEF may need to make adjustments in its project cycle, its project review criteria, and expectations for documentation at various stages in the project process to allow adequate time and resources to encourage full participation, and look for ways to move some "preparation" activities into "implementation" (e.g., as envisioned in the World Bank's new Learning and Innovation Loan (LIL) approach).

E. FLEXIBLE, LONG-TERM APPROACH

115. This year's review echoed the main conclusion of the 1998 Project Performance Report-the need for an approach to addressing global environmental problems that is longer term and more flexible than current project instruments. In many cases, this requires a phased approach that sets firm performance benchmarks on which to base decisions about continued support. While there has been some progress in reflecting this conclusion in a few new projects included in GEF work programs over the past year, more effort is required to put it into practice. There is an urgent need to spell out clear guidelines for adaptive management and flexible approaches to providing GEF assistance, and to fully examine the implications of moving in this direction on internal procedures and incentives. Project cycle and review criteria may need to be changed to reduce expectations regarding the level of exactitude about project details contained in project briefs and documents. Instead, project proposals should place greater emphasis on stating clear objectives; discussing in greater detail and frankness risks, uncertainties, and assumptions; providing tools for monitoring performance and feeding back lessons from experience into practice; and giving management the authority, with appropriate checks and balances, to adapt flexibly to changing circumstances and information. In addition, all implementing agencies should be able and encouraged to use more flexible project approaches at the same time.

116. A number of other issues related to GEF resources and procedures were identified during the task force meetings and discussed at the inter-agency PIR review. They included:

- concern that the way implementing agency administrative budgets are funded may provide disincentives for innovative projects that take more staff time and which have implementation costs that are more difficult to predict, as well as complex, multi-country projects.

- the practice of linking resources for monitoring implementation to specific projects has limited the ability of implementing agency and secretariat staff to collaborate when these agencies do not actually finance a portion of a GEF project or PDF-B activity.

- the level of funding available for PDF-Bs (US$350,000) was identified as a constraint to developing multi-country projects. The expectation that PDF-Bs will be implemented and lead to presentation of a project brief within a relatively short time period has also proven to be unrealistic in the international waters focal area.

F. MOVING TO A GREATER FOCUS ON MANAGING FOR RESULTS

117. Finally, and most fundamentally, the review highlighted the need for GEF to move away from an "approvals culture" toward greater attention to the results of its programs. The 1999 PIR identified lessons similar to those in past reviews. Yet there are numerous examples where these lessons are not fully applied. In addition, program managers in the secretariat and implementing agencies had too little time to devote to a full consideration of the PIR reports and discussion of the lessons of experience they were revealing.

118. In its early years, it was appropriate for GEF to focus on building a portfolio of projects, creating and refining project cycle procedures and review criteria, setting standards for project

design, and getting projects started in the field to establish a presence and begin to learn about the factors that influence the achievement of global environmental objectives. This has largely been accomplished. Now it is time to shift GEF's emphasis toward managing its resources for results. This calls for:

- a fuller integration of the tools and perspectives of "monitoring and evaluation" into management practices,
- allocating more time and attention to implementation and to understanding what is working, what is not, and why,
- being more strategic in building on past successes and filling gaps in operational programs, and
- feeding back into new operations what GEF is learning from its experience and that of countries and other organizations.

119. This is likely to require a major effort to reorient the way GEF operates, including a re-examination of the roles played by the various parts of its organizational structure to match them with their comparative advantages and adjust them to a greater focus on results.

APPENDICES

APPENDIX A
LIST OF PROJECTS INCLUDED IN 1999 PIR

Multi focal areas

	IA	Project Description	Work Program (A)	IA Approval (B)	Effective Date (C)	US$ millions	Disbursed as of 6/30/99	% disbursed
1	WB	Small and Medium Scale Enterprise Program 1	Apr-94	Dec-95	Dec-95	4.30	3.36	78.14
1	WB	Small and Medium Scale Enterprise Program 2	May-97	May-97	Jul-97	16.50	1.85	11.21
		Total				20.80	5.21	25.05

Biodiversity

	IA	Project Description	Work Program (A)	IA Approval (B)	Effective Date (C)	US$ millions	Disbursed as of 6/30/99	% disbursed
1	UNEP	Alien Species that Threaten Biodiversity	Jan-98	May-98	May-98	0.75	0.45	60.00
2	UNDP	AFRICA REGIONAL NGO/Government Partnerships	May-97	May-98	May-98	4.33	1.31	30.25
3	UNDP	AFRICA REGIONAL Reducing Biodiversity Loss in East Africa (Cross- Borders)	Mar-97	Mar-98	Mar-98	12.65	2.28	18.02
4	UNDP	AFRICA REGIONAL Southern Africa Botanical Biodiversity (SABONET)	Feb-96	Oct-97	Oct-97	4.72	0.00	0.00
5	WB	ARGENTINA Biodiversity Conservation	Feb-97	Oct-97	May-98	10.10	0.66	6.53
6	UNEP	ASIA REGIONAL Emergency Reponse to Combat Forest Fires in Indonesia	Jun-98	Jul-98	Jul-98	0.75	0.19	25.33
7	UNDP	ASIA REGIONAL Conservation Strategy for Rhinos in Southeast Asia	May-93	Dec-93	Dec-93	2.00	1.57	78.50
8	UNEP	Biodiversity Country Studies 1	Dec-91	Mar-92	Mar-92	5.00	4.62	92.40
8	UNEP	Biodiversity Country Studies 2	Dec-92	Jun-94	Jun-94	2.00	1.85	92.50
9	UNDP	BELIZE Sustainable Development in Coastal Resources	Dec-91	Feb-93	Mar-93	3.00	2.94	98.00
10	UNDP	BHUTAN Jigme Dorji National Park	Oct-96	Aug-97	Aug-97	1.50	0.31	20.67
11	WB	BRAZIL National Biodiversity Project	May-91	Apr-96	Dec-96	10.00	2.17	21.70
12	WB	BRAZIL Biodiversity Fund Project	May-91	Apr-96	Sep-96	20.00	10.00	50.00
13	UNDP	BURKINA FASO Nazinga Ranch	Dec-92	Jul-94	Jul-94	2.50	0.88	35.20
14	WB	CAMEROON Biodiversity Conservation and Management	May-93	Mar-95	Dec-95	5.96	3.05	51.17
15	WB	CENTRAL AFRICA Regional Environmental Information Management Program (REIMP)	May-97	Dec-97	Apr-98	4.35	0.92	21.15
16	UNDP	CENTRAL AFRICAN REPUBLIC Bangassou Forest	May-95	Mar-98	Mar-98	2.50	0.37	14.80
17	WB	CHINA Nature Reserves Management	Feb-95	Jun-95	Jul-95	17.90	12.04	67.26
18	UNDP	COLOMBIA Biodiversity Conservation in the Choco Region	May-91	Feb-92	Feb-92	6.00	6.19	103.17
19	UNDP	COMOROS Island Biodiversity	Oct-95	Nov-97	Nov-97	2.35	0.28	11.91
20	UNDP	COSTA RICA Conservation of La Amistad and Osa Conservation Areas	Sep-91	Apr-93	May-93	8.00	8.00	100.00
21	UNDP	COTE D'IVOIRE Aquatic Weeds Control	Dec-92	Dec-95	Dec-95	3.00	1.31	43.67

	IA	Project Description	Work Program (A)	IA Approval (B)	Effective Date (C)	US$ millions	Disbursed as of 6/30/99	% disbursed
22	UNDP	CUBA Protecting Biodiversity and Establishing Sustainable Development Sabana-Camaguey Ecosystem	Sep-91	Jul-93	Dec-93	2.00	1.97	98.50
23	UNDP	DOMINICAN REPUBLIC Conservation and Management of Biodiversity in the Coastal Zone	Dec-91	Nov-93	May-94	3.00	3.00	100.00
24	WB	ECUADOR Biodiversity Protection	Apr-92	May-94	Jul-94	8.22	7.37	89.66
25	WB	EGYPT Red Sea Coastal/Marine Resource Management	Apr-92	Nov-92	Dec-94	4.75	2.74	57.68
26	UNDP	ETHIOPIA Conservation of Plant Genetic Resources	Dec-92	Apr-94	Sep-94	2.48	1.61	64.92
27	UNDP	GABON Effective Management of Wildlife Trade	May-91	Jan-94	Jul-94	1.00	0.85	85.00
28	WB	GHANA Coastal Wetlands	Dec-91	Aug-92	Mar-93	7.20	5.07	70.42
29	UNEP	GLOBAL Biodiversity Assessment	Dec-92	May-93	May-93	3.30	3.10	93.94
30	UNEP	GLOBAL Biodiversity Forum Phase II	Feb-98	Apr-98	Apr-98	0.75	0.32	42.67
31	UNDP	GUATEMALA Conservation and Sustainable Development of the Motagua Region (RECOSMO)	Feb-95	Apr-97	Apr-97	4.00	1.73	43.25
32	UNDP	GUYANA Iwokrama Rain Forest Programme	Apr-91	Apr-92	Feb-93	3.00	2.86	95.33
33	WB	HONDURAS Biodiversity Conservation	Jan-97	Oct-97	Aug-98	7.00	0.60	8.57
34	WB	INDIA Ecodevelopment	May-95	Sep-96	Dec-96	19.70	4.02	20.41
35	WB	INDONESIA Biodiversity Collections	Apr-92	Jun-94	Jul-94	7.20	6.40	88.89
36	WB	INDONESIA Coral Reef Rehabilitation	May-97	Mar-98	Jun-98	11.60	0.25	2.16
37	WB	INDONESIA Kerinci Sablat Integrated Conservation and Development	May-95	Apr-96	Aug-96	14.40	1.18	8.19
38	UNDP	JORDAN Dana/Azraq Consolidation	Oct-96	Apr-97	Apr-97	1.95	1.59	81.58
39	WB	KENYA Tana River	May-91	Nov-96	Jul-97	6.20	0.46	7.42
40	WB	LAO PDR Wildlife and Protected Areas Conservation	May-91	Mar-94	Jan-95	4.96	3.18	64.11
41	UNEP	LATIN AMERICA and CARIBBEAN REGIONAL Interamerican Strategy for Participation	Aug-97	Nov-97	Nov-97	0.72	0.48	66.67
42	UNDP	LEBANON Protected Areas	May-95	Feb-96	Feb-96	2.50	1.53	61.20
43	WB	MADAGASCAR Second Environment Support Program (EP2)	Aug-96	Jan-97	Jun-97	12.80	0.89	6.95
43	UNDP	MADAGASCAR Second Environment Support Program (EP2)	Aug-96	Aug-97	Aug-97	8.00	0.87	10.88
44	WB	MALAWI Lake Malawi/Nyasa Biodiversity Conservation	Dec-91	Dec-94	Jul-95	5.00	4.35	87.00
45	UNEP	MAURITANIA Rescue Plan for the Cap Blanc Colony of the Mediterranean Monk Sea	Aug-97	Nov-97	Nov-97	0.15	0.15	100.00
46	WB	MAURITIUS Biodiversity Restoration	May-95	Nov-95	Feb-96	1.20	0.87	72.50
47	UNDP	MAURITIUS Restoration of Native Forest	May-93	Jun-95	Jun-95	0.20	0.18	90.00
48	WB	MEXICO Protected Areas Program	May-91	Mar-92	Apr-93	24.67	24.67	100.00
49	UNDP	MONGOLIA Biodiversity Conservation in the Grasslands of Eastern Mongolia	Dec-97	Nov-98	Nov-98	5.16	0.68	13.18
50	WB	MOZAMBIQUE Transfrontier Conservation Areas	Dec-92	Dec-96	May-97	5.00	2.30	46.00
51	UNDP	NEPAL Biodiversity Conservation	Dec-91	Jun-93	Jun-93	3.80	3.64	95.79
52	UNDP	PAKISTAN Maintaining Biological Diversity with Rural Community Development	Jul-92	Jun-94	Jun-94	2.50	2.49	99.60
53	UNDP	PANAMA Biodiversity Conservation in Darien Region	Jan-92	Feb-94	May-94	2.00	1.73	86.50
54	UNEP	People, Land Management, and Environmental Change (PLEC)	May-97	Mar-98	Mar-98	6.28	1.48	23.57
55	WB	PERU National Trust Fund for Protected Areas	Dec-91	Mar-95	Jun-95	5.22	5.22	100.00
56	WB	PHILIPPINES Conservation of Priority Protected Areas	May-91	May-94	Oct-94	20.00	6.94	34.70
57	WB	ROMANIA Danube Delta Biodiversity	Apr-92	Aug-94	Feb-95	4.50	3.41	75.78
58	WB	RUSSIA Biodiversity Conservation	Dec-94	May-96	Nov-96	20.10	4.55	22.64
59	WB	SOUTH AFRICA Cape Peninsula	Nov-97	Feb-98	Jun-98	12.40	6.01	48.47
60	UNDP	SOUTH PACIFIC Biodiversity Conservation	Jan-92	Jan-93	Apr-93	6.27	4.58	73.02
61	WB	SRI LANKA Medicinal Plants	May-97	Dec-97	May-98	5.42	0.36	6.64

	IA	Project Description	Work Program (A)	IA Approval (B)	Effective Date (C)	US$ millions	Disbursed as of 6/30/99	% disbursed
62	UNDP	SRI LANKA Wildlife Conservation	Dec-91	Jan-92	May-92	4.09	3.32	81.23
63	WB	UGANDA Bwindi and Mgahinga Gorilla National Park Conservation	May-91	Jan-94	Mar-95	4.35	4.35	100.00
64	UNDP	URUGUAY Consolidation Banados del Este	Apr-97	Sep-97	Sep-97	2.50	1.23	49.20
65	UNDP	VIETNAM Conservation Training and Biodiversity Action Plan	May-91	Jan-92	Jul-92	3.00	3.00	100.00
66	WB	WEST AFRICA Pilot Community Based Natural Resource and Wildlife Mgmnt Project	May-91	Sep-95	May-96	6.64	2.18	32.83
67	UNDP	YEMEN Socotra Archipelago	Oct-96	May-97	May-97	4.94	2.99	60.53
		Total				421.48	204.14	48.43

Climate Change

	IA	Project Description	Work Program (A)	IA Approval (B)	Effective Date (C)	US$ millions	Disbursed as of 6/30/99	% disbursed
1	UNDP	AFRICA REGIONAL Climate Change Capacity Building	Dec-92	Jan-95	Jan-95	2.00	1.80	90.00
2	UNDP	AFRICA REGIONAL Energy Efficiency	Dec-92	Dec-94	Feb-95	3.50	2.89	82.57
3	UNDP	ARAB STATES REGIONAL Building Capacity in the Maghreb for Climate Change Convention	May-93	Sep-94	Dec-94	2.50	0.81	32.40
4	UNDP	ASIA REGIONAL Asia Least Cost GHG Abatement Strategy (ALGAS)	Nov-92	Aug-93	Aug-94	9.50	9.16	96.42
5	UNDP	BRAZIL Biomass Power Generation: Sugar Cane Bagasse and Trash	Apr-96	Mar-97	Jun-97	3.75	1.81	48.27
6	UNDP	BULGARIA Energy Efficiency Strategy	Oct-96	May-98	May-98	2.58	0.40	15.50
7	UNDP	CHILE Reduction of GH Gas Emissions	May-93	Jun-95	Jun-95	1.70	1.26	74.12
8	UNDP	CHINA Development of Coal-Bed Methane Resources	Apr-92	Apr-92	Jun-92	10.00	9.97	99.70
9	WB	CHINA Efficient Industrial Boilers	Apr-96	Dec-96	Feb-97	32.81	6.60	20.12
10	UNDP	CHINA Promoting Methane Recovery and Utilization from Mixed Municipal Refuse	Apr-96	May-97	May-97	5.29	1.94	36.71
11	WB	CHINA Sichuan Gas Transmission	Apr-92	Mar-94	Dec-94	10.00	6.68	66.80
12	WB	COSTA RICA Tejona Wind Power	Dec-93	Dec-93	Nov-95	3.30	0.00	0.00
13	UNDP	GHANA Renewable Energy	Aug-96	Jun-98	Jun-98	2.47	0.00	0.00
14	UNDP	GLOBAL Alternative to Slash and Burn Agriculture (Phase II)	Jun-96	Jun-96	Jun-96	2.94	2.94	99.97
15	UNEP	GLOBAL Country Studies on Climate Change Impacts and Adaptation Assessments	Feb-95	Feb-96	Mar-96	2.00	1.70	85.00
16	UNEP	GLOBAL Economics of Greenhouse Gas Limitations	Feb-95	Mar-96	Apr-96	3.00	2.68	89.33
17	UNDP	GLOBAL Monitoring GHG	Jan-92		Various	4.80	4.49	93.54
18	UNDP	GLOBAL Research on Methane Emissions from Rice Fields	May-91	Jan-92	Jan-93	5.00	4.82	96.40
19	UNDP	GLOBAL START Global Change Initiative	May-92	May-93	May-93	7.00	6.54	93.43
20	UNDP	GLOBAL Training Programme on Climate Change (CC:TRAIN)	May-95	Mar-96	Mar-96	2.56	0.89	34.79
21	WB	HUNGARY Energy Efficiency Co-financing Program	Apr-96	Sep-96	Feb-97	5.00	0.31	6.20
22	WB	INDIA Alternate Energy	Dec-91	Dec-92	Apr-93	27.62	20.98	75.96
23	UNDP	INDIA Bio-methanation Processes	Jan-92	Jan-94	Mar-94	5.50	2.05	37.27
24	UNDP	INDIA Cost Effective Options for Limiting GHG Emissions	Apr-98	Jun-98	Jun-98	1.51	0.01	0.66
25	UNDP	INDIA Optimizing Development of Small Hydel resources in the Hilly Regions of India	Jan-91	Jan-94	Mar-94	7.50	4.66	62.13
26	WB	INDONESIA Solar Home Systems	Oct-95	Jan-97	Oct-97	24.30	1.58	6.50
27	WB	JAMAICA Demand Side Management Demonstration	May-93	Mar-94	Aug-94	4.10	2.33	56.83
28	UNDP	JORDAN Reduction of Methane Emissions	Apr-96	Aug-97	Aug-97	2.50	0.16	6.40
29	WB	LATIN AMERICA and CARIBBEAN REGIONAL Planning for Adaptation to Climate Change	May-95	Mar-97	Apr-97	6.66	2.35	35.29
30	WB	LITHUANIA Klaipeda Geothermal Demonstration	May-95	May-96	Oct-96	6.90	5.05	73.19
31	WB	MALI Household Energy Project	Dec-92	Jun-95	Oct-95	2.50	1.76	70.40
32	UNDP	PAKISTAN Fuel Efficiency Transport Sector	Jan-92	Jul-95	May-96	7.00	0.53	7.57

	IA	Project Description	Work Program (A)	IA Approval (B)	Effective Date (C)	US$ millions	Disbursed as of 6/30/99	% disbursed
33	WB	PHILIPPINES Leyte-Luzon Geothermal	May-91	Jun-94	Mar-95	30.00	27.97	93.23
34	WB	POLAND Coal-to-Gas Conversion	Dec-91	Nov-94	Jun-95	24.92	4.58	18.38
35	WB	POLAND Efficient Lighting Project (PELP)	Dec-94	May-95	Aug-95	5.00	5.00	100.00
36	UNDP	RUSSIA Energy Efficiency	Oct-96	Feb-98	Feb-98	2.98	0.90	30.20
37	WB	RUSSIA Greenhouse Gas Reduction	Dec-92	Dec-95	Dec-96	3.20	0.60	18.75
38	WB	SENEGAL Sustainable and Participatory Energy Management	Apr-96	Jun-97	Dec-97	4.70	0.74	15.74
39	WB	SRI LANKA Energy Services	Apr-96	Mar-97	Jul-97	5.90	0.99	16.78
40	UNDP	SRI LANKA Renewable Energy	Apr-96	Jan-98	Jan-98	1.51	0.35	23.18
41	UNDP	SUDAN Community-Based Rangeland	Dec-92	Aug-94	Oct-94	1.50	1.25	83.33
42	UNDP	TANZANIA - Electricity, Fuel and Fertilizer from Municipal and Industrial Organic waste TAKAGAS	May-93	Dec-93	Mar-94	2.50	0.75	30.00
43	WB	THAILAND Promotion of Electricity Energy Efficiency	Dec-91	Apr-93	Nov-93	10.81	7.07	65.40
44	WB	TUNISIA Solar Water Heating	May-93	Nov-94	May-95	3.94	0.82	20.81
45	UNDP	UGANDA Photovoltaics for Rural Electrification	Oct-95	Nov-97	Nov-97	1.76	0.36	20.45
		Total				316.50	160.53	50.72

International Waters

	IA	Project Description	Work Program (A)	IA Approval (B)	Effective Date (C)	US$ millions	Disbursed as of 6/30/99	% disbursed
1	UNDP	EGYPT Lake Manzala Engineered Wetlands	Dec-92	Jun-97	Jun-97	4.50	0.48	10.67
2	WB	JORDAN Gulf Aqaba Environmental Action Plan	Oct-95	Jun-96	Jun-96	2.70	0.67	24.81
3	UNDP	REGIONAL Danube River Basin Pollution Reduction	Oct-96	Sep-97	Sep-97	3.90	3.82	97.95
4	UNDP	REGIONAL Developing the Implementation of the Black Sea Strategic Action Plan	Apr-97	Sep-97	Sep-97	1.79	1.81	101.12
5	UNDP	REGIONAL East Asian Seas	Dec-91	Jul-93	Nov-93	8.00	7.27	90.88
6	WB	REGIONAL Eastern Caribbean Ship-Generated Waste Management	Dec-92	May-95	Nov-96	12.51	2.47	19.74
7	UNDP	REGIONAL Gulf of Guinea	Dec-91	Oct-93	Apr-94	6.00	5.81	96.83
8	WB	REGIONAL Lake Victoria Environmental Management	Apr-96	Jul-96	Mar-97	35.00	6.82	19.49
9	WB	REGIONAL Oil Pollution Management for the Southwest Mediterranean Sea	Apr-92	Apr-94	May-94	18.26	15.72	86.09
10	UNDP	REGIONAL Pollution Control and Other Measures to Protect Biodiversity in Lake Tanganyika	Dec-91	Oct-93	Feb-95	10.00	8.67	86.70
11	UNEP	REGIONAL Strategic Action Programme for the Binational Basin of the Bermejo River	Nov-96	Mar-97	Apr-97	3.22	2.23	69.23
12	UNDP	YEMEN Marine Ecosystems of the Red Sea Coast	May-92	Apr-93	Jun-93	2.80	2.76	98.57
		Total				101.48	57.38	56.54

Ozone

	IA	Project Description	Work Program (A)	IA Approval (B)	Effective Date (C)	US$ millions	Disbursed as of 6/30/99	% disbursed
1	UNEP	AZERBAIJAN Phase Out of ODS	Mar-98	May-99	May-99	0.27	0.00	0.00
2	WB	BELARUS Phase Out of ODS	May-96	May-97	Aug-97	6.90	1.42	20.58
3	WB	BULGARIA ODS Phase-Out	May-95	Nov-95	May-96	10.50	5.68	54.10
4	UNEP	LATVIA Phase Out of ODS	Jul-97			0.17	0.00	0.00
5	UNDP	LITHUANIA Phase Out of ODS	Jul-97	May-98	May-98	4.52	3.53	78.10
6	UNEP	LITHUANIA Institutional Strengthening and Capacity Building	Jul-97	Mar-99	Mar-99	0.17	0.00	0.00
7	WB	POLAND Phase Out of ODS	Apr-96	Mar-97	Jul-97	6.21	3.58	57.65
8	UNEP	REGIONAL Promoting Compliance with Trade and Licensing Provisions of the Montreal Protocol	Jan-98	Feb-98	Feb-98	0.69	0.10	14.49
9	WB	RUSSIA ODS Consumption Phase-Out	Apr-96	May-96	Sep-96	60.00	6.70	11.17
10	WB	SLOVAK REP Investment Project for the Phaseout of Ozone Depleting Substances in the Production of Refrigerators and Freezers	May-95	Jun-96	Oct-96	3.50	2.66	76.00
		Total				92.93	23.67	25.47
		Grand Total				**956.79**	**451.51**	**47.19**

APPENDIX B
GUIDELINES FOR FY1999 GEF PROJECT IMPLEMENTATION REVIEW (PIR)

1. The 1999 PIR Process and Schedule

The 1999 GEF PIR process will, as in 1998, involve: internal portfolio reviews by the IAs that will be submitted to the GEF secretariat (GEFSEC) and the other agencies, reviews of the PIR reports by GEF focal area task forces in their respective portfolios, and a one-day interagency review meeting.

(a) The internal IA project implementation reviews for 1999 will be conducted between July and September, 1999. IA reports to GEFSEC and the other agencies will be submitted no later than September 25, 1999. The agencies will submit:

- individual project reports
- an overview of agency experience
- summary tables with project data

(b) Once the IA reports are received by the secretariat, copies will be distributed to program managers within GEFSEC and members of the four GEF focal area task forces. Each focal area task force will schedule a review meeting of their respective portfolios during early to mid-November, 1999. These reviews will focus on trends identified in the project reports, with particular attention to projects for which performance has improved or declined during the past year. The task force reviews will also draw on other material like the agency overviews and conclusions of the topics identified for thematic review during the 1998 PIR (see 5. below)

(c) Based on the task force reviews, an interagency meeting will be held in New York, tentatively during the week of November 29, 1999.

2. Individual Project Reports

Reports will be submitted on all full and medium-sized (but not pre-investment or individual country enabling activities) GEF projects that began implementation on or before June 30, 1998, and were in implementation at least some part of FY99, comprising:

2.1. Project Name, Country, and GEF Operational Program/EA/STRM

2.2. Brief Project Description

A brief description (50-100 words)—in simple and direct language—of the project, what it is trying to achieve, its principal activities, and major accomplishments and/or problems during the past year. Please do not repeat the project goal or objective in this section.

2.3. Project "Goal"[1]

A statement of the goal to which the project contributes.

1 This should be the highest level in the project's Logical Framework, which is often labeled the "goal" to which the project contributes. Different implementing agencies are using different terms for this level. The World Bank often refers to this level as the "CAS Objective" and/or the "GEF Operational Program" or "Program Purpose." UNEP uses "overall objective" to describe this level, while UNDP recently has used "goal."

2.4. Indicators of Goal Achievement and Related Targets

List the indicators being used to monitor progress toward achievement of the project's goal, together with any relevant target values for these indicators. If specific indicators are not identified, include a discussion of how the project manager is determining progress toward achievement of the goal, and state when project indicators will be put in place. For each indicator, include the actual level achieved.[2]

2.5. Project Purpose[3]

State the project's purpose or purposes.

2.6. Indicators of Purpose Achievement and Related Targets

List the indicators being used to monitor progress toward achievement of the project purpose(s), together with any relevant target values for each indicator. If specific indicators are not identified, include a discussion of how the project manager is determining progress toward achievement of the project purpose(s),[4] and state when project indicators will be put in place. For each indicator, include the actual level achieved.

2.7. Assumptions and Risks Ratings

List major assumptions identified in the project design and others that have been made since. Rate the risk that each assumption may seriously affect implementation or prospects for achieving project objectives. For this purpose, use the 4 point scale in Annex 1: high (H), substantial (S), modest (M), and low (L).

2.8. Project Progress and Achievement Ratings

Using the four-point scales described in Annex 1, list the ratings for implementation progress (IP) and achievement of the project's purpose[5] for each project for 1998 and 1999. This section should include assessment of risks and a brief explanation of the basis for the 1999 PIR ratings. The reasons for any changes in ratings since 1998 should be discussed. For all projects rated "unsatisfactory" on either measure, and for projects where ratings have declined since 1998, this section should also include a description of actions being taken to address implementation problems.

2.9. Resources Leveraged

A brief description of the funding and/or actions leveraged as a result of GEF involvement in the project. (We revert on this and propose a definition).

2.10. Issues During Implementation

A brief discussion of significant policy, institutional, scientific and technical issues that have arisen during project implementation, including changes in project assumptions.

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2 It is understood that at this level, information may not be available on every indicator each year. Reports should include the most recent data on the goal-level indicators.

3 This should be the second highest level in the project's Logical Framework, which is typically labeled as the "project purpose". Different implementing agencies are using different terms for this level. The World Bank often refers to this level as the "development objective" and/or "global objective". UNEP uses "outcomes"to describe this level, while recent UNDP projects use "purpose."

4 For example, UNDP projects are supposed to have "indicators of performance" that are rated and reported on in APRs.

5 This has been referred to in past PIRs as the prospects for achieving the project's development/global environmental objective(s) (DO).

2.11. Lessons Learned/Good Practice

Identify lessons from experience and examples of good practice that have resulted from project implementation to date.

3. Summary Performance and Lessons Learned Overview

On the basis of the individual project reports each IA should provide a narrative report that summarizes the conclusions of its internal PIR. This should include analysis of:

(a) the performance of its GEF projects (possibly relative to comparable non-GEF portfolios) on (i) length of time from formal IA approval to first disbursement, (ii) disbursement history, and (iii) project ratings;

(b) ratings of implementation progress (IP) and accomplishment of project purposes (DO), trends in each focal area, and common factors that appear to account for either deterioration or improvements in ratings in relation to those included in the 1998 PIR; and

(c) issues or topics for which:

- OPs require clarification or elaboration;
- additional operational guidance is needed on project development, implementation, or evaluation;
- referral to STAP for scientific or technical advice is indicated;
- review in greater depth in M&E studies would be beneficial; and/or
- dissemination of good practices and lessons learned is recommended.

4. Project Lists/Status

The IAs should provide lists/portfolio status, as follows:

4.1 A list of all GEF full and medium-sized (but not pre-investment or individual country enabling activities) projects that began implementation on or before June 30, 1998, and were in implementation at least some part of FY99 (for which individual reports will be prepared).

4.2. A brief status report on all projects for which:

(a) funding was allocated in GEF Work Programs before June 30, 1997, but that have not been approved formally by the IA.

(b) formal approval was made by the IA on or before September 30, 1998, but which have not begun disbursements by June 30, 1999.

4.3. A list of all GEF projects that were operationally completed during FY99. Reports on these projects should also be included in the PIR. (Reports for projects that were operationally complete before July 1, 1998, should normally not be included in the review.)

4.4. A list of (a) all mid-term reviews, evaluation reports (self evaluations or independent evaluations), and/or project completion reports that have been completed from July 1, 1998, through June 30, 1999, and (b) mid-term reviews, evaluation reports, and/or implementation completion reports underway as of June 30, 1999, or planned through June 2000.

5. Thematic reviews

As you know, the IA-GEFSEC task force appointed to discuss the format and content of this PIR has proposed that the previous cross-cutting issues be replaced with thematic

reviews. The thematic reviews are expected to complement the individual project reviews and yield added insights and lessons on program issues, the project cycle, and scientific or M&E matters (see section 3(c). above).

Consistent with this approach, the 1998 PIR identified a number of topics for review in greater depth. These were summarized in the report of the 1998 review. From these topics, the following were selected for analysis in greater depth during 1999:

- Achieving sustainability of biodiversity conservation;
- Experience with GEF-funded off-grid PV projects, including their potential impact on global greenhouse gas emissions;
- Experience with multi-country arrangements in GEF projects; and
- The overall progress of countries receiving GEF assistance in the ozone focal area in implementing their ODS phase-out programs.

The ODS review is currently ongoing. Concept papers on the other three issues are under discussion. They are expected to include desk studies of individual project experiences, focus groups or workshops with task/project managers, and perhaps a limited number of brief field visits. The results will be considered during the 1999 PIR.

It is also expected that as a result of the 1999 PIR process we would agree on a few (two to four) themes that would be the subject of thematic reviews coordinated by the corporate M&E team during 2000. The findings and conclusions of these reviews would be reported to the 2000 PIR and reflected in discussions at that time.

ANNEX 1 - DEFINITION OF RATINGS

Implementation Progress Ratings

Highly Satisfactory (HS)	Implementation of all components is in substantial compliance with the original (or formally revised) implementation plan for the project.
Satisfactory (S)	Implementation of most components is in substantial compliance with the original/formally revised plan except for a few that are subject to remedial action.
Unsatisfactory (U)	Implementation of most components is not in substantial compliance with the original/formally revised plan but remedial action has been agreed.
Highly Unsatisfactory (HU)	As in "Unsatisfactory," but remedial action has not been agreed.

Project Purpose (Global Environment Objective/Development Objective) Ratings

Highly Satisfactory (HS)	Project is expected to achieve or exceed all its major purposes and global environmental objectives and yield substantial global environment benefits.
Satisfactory (S)	Project is expected to achieve most of its major global environmental objectives and purposes and to yield satisfactory global environmental benefits without major shortcomings.
Unsatisfactory (U)	Project is expected not to achieve most of its major global environmental objectives or purposes nor yield substantial global environmental results.
Highly Unsatisfactory (HU)	Project is expected not to achieve any of its major global environment objectives or purposes nor to yield worthwhile global environmental results.

Assumption and Risk Rating

The risk that individual assumptions relevant to the project may not prove to be accurate and may seriously affect implementation or prospects for achieving project objectives should be rated on the following scale:

High (H)	There is a probability of greater than 75% that the assumption may fail to hold or materialize.
Substantial (S)	There is a probability of between 51% and 75% that the assumption may fail to hold or materialize.
Modest (M)	There is a probability of between 26% and 50% that the assumption may fail to hold or materialize.
Low (L)	There is a probability of less than 25% that the assumption may fail to hold or materialize.

APPENDIX C1
UNITED NATIONS DEVELOPMENT PROGRAMME
PROJECT IMPLEMENTATION REVIEW 1999

OVERVIEW

INTRODUCTION

1. The annual GEF Project Implementation Review (PIR) complements the regular UNDP Monitoring and Evaluation procedures employed during project implementation. The PIR covers only a subset of the UNDP/GEF portfolio. According to the PIR selection criteria individual project information was collected for all full and medium-sized projects under implementation for a minimum of one year, as of June 30, 1999. Projects that were operationally completed before June 30, 1998 were not included in this year's review. A total of 62 full projects qualified for the 99 PIR. One Pilot Phase PRIF project was also included due to its successful completion and the valuable lessons that can be learned from it.

2. In addition to reporting on the general performance of GEF projects, implementation progress and impact achievements, the 1999 PIR is the second year in which UNDP/GEF has attempted to gather information on leveraging efforts, both additional resources and actions. This year's PIR also includes a summary of trends and lessons learned from the capacity development activities of UNDP/GEF projects and the cross-cutting issue of land degradation.[1]

TRENDS AND LESSONS LEARNED

Leveraging Additional Resources and Actions

3. Actions "leveraged" refer to both activities that are planned and therefore part of the project strategy and activities that are taking place "around the project" without being part of the project strategy itself but which are stimulated or initiated by the project. Financial leveraging refers to funds mobilized in association with a GEF project.

Actions "Leveraged"

4. Leveraged actions go beyond contributing to project specific goals, they help to create an environment conducive to the achievement of GEF, CBD and UNFCCC goals. In this sense, projects have stimulated and initiated a wide range of actions internal and external to institutions directly involved in projects. These actions are reflected in greater awareness about global environmental issues, changed attitudes, the establishment of new policies and regulations, the replication

1 The unabridged version of the PIR 1999 UNDP/GEF Performance Report is available from the UNDP/GEF M&E Unit or at http://www.undp.org/gef/.

of successful project approaches, support for international treaties and conventions and interactions/synergies with projects and organizations.

5. The determinants of environmental degradation—the social, structural, political, institutional and other root causes of problems—are very complex and their removal requires a long time frame for action. It is generally rather difficult for one project or even programme to claim impact on that level. However, PIR reporting shows that awareness raising activities have resulted in a change of attitudes and stronger support at the national and local level for new technologies, alternative agricultural practices, better coordination between national institutions and an increased interest of the private sector in project results and studies. Through **awareness raising** activities **at the community level**, local representatives and beneficiaries are beginning to see protected areas as a source of potential benefit to themselves, as opposed to being areas of benefit to tourists and research institutions alone.

6. Through their efforts to strengthen institutions and raise awareness, UNDP/GEF projects often provide the inspirational basis for further project development and follow-up actions (Regional East Asian Seas and Regional ALGAS). In other cases, executing and national implementing agencies of UNDP/GEF projects are often the driving force of **replication** of successful approaches (*Bulgaria Energy Efficiency*).

7. UNDP/GEF project objectives and activities are increasingly dealing with the **formulation and review of new and existing environmental policies and legislation** at the national and local level, for example through advisory services or the provision of research results. Where environmental policies are already in place but enforcement is rather weak, projects have helped to strengthen support for these policies and increase their enforcement (*Yemen Red Sea Coast and Sudan Community based Rangeland*). Climate change projects, like for example *China Coal-bed Methane* and *India High Rate Bio Methanation*, often encourage the formulation and adoption of new policies offering preferential treatment to potential investors, thus promoting national and foreign investment in coal-bed methane and other energy recovery technologies. Projects with strong NGO participation increasingly contribute to the recognition of NGOs as valid partners in the management of conservation sites and provider of advice and input into the formulation of new legislation.

8. PIR reporting shows that through projects, there is extensive and intensive **interaction with other organizations** and thus, projects benefit from synergy effects and engaging in joint activities. This contributes to reducing overlaps between projects and donor competition. For example there is collaboration between project activities on issues such as training and exchange of information, but also directly with donors on the drafting of TORs for feasibility studies and selections of firms to act as technical assistance support units.

9. Projects are often closely linked to previous interventions (GEF or other funding sources) and benefit from past experiences and lessons learned. Often already during project implementation close links are established with potential replication or follow-up projects for the exchange of potential results and project findings (*Brazil Sugar Cane, Panama Darien, Russian Federation Energy Efficiency*).

Financial Leveraging

10. Judging from the PIR 99 portfolio UNDP/GEF projects have leveraged more than US$ 235 million in resources to complement the funding from GEF resources, resulting in about **one additional dollar for each dollar allocated by GEF** (or approximately US$ 3,7 million on average per project). Leveraging encompasses amounts mobilized up-front, during implementation and after completion including

funds used for replication of successful projects and follow-up investments.[2] About 30 % of these funds (about US$ 70 million) are the results of leveraging efforts during project implementation and after project completion. The remaining 70% (about US$165 million) in co-financing were leveraged before the start-up of implementation.

11. The leveraging success indicates that GEF projects do indeed have a catalytic role in securing resources from governments, private sector and other bilateral and multilateral donors for replication and follow-up activities. The Asian Development Bank (ADB), for example, has committed US$ 20 million for the implementation of parts of the protected area plan prepared by the Wildlife Conservation project in Sri Lanka and supported a range of parallel projects related to adaptation and vulnerability studies in the case of the Regional ALGAS project with US$ 400,000. Even NGOs, either international or national, seem to play an increasing role as a source of additional funding. An outstanding example here is the Regional NGO/Government partnership for BD project in Africa, that—despite its short implementation period—has already managed to secure additional funding of more than US$2.3 million through its network of national NGOs.

12. Some activities of UNDP/GEF projects are specifically aimed at creating structures/ committees/etc. to leverage additional financing for investment projects in the future. One of the *Regional Danube II* project's outstanding achievements was the development of an investment portfolio worth US$5.5 billion for pollution reduction programs under the Danube Strategic Action Plan. Several projects have also managed to leverage substantial amounts from the private sector for follow-up investments, funding of project activities and surveys.

13. It is estimated that the actual resources leveraged are even higher than reported. Eleven percent of all PIR 99 projects were not able to quantify the leveraged amounts which had been used for one time needs such as attendance of scientific meetings and

TABLE 1: SOURCES OF LEVERAGE FOR UNDP/GEF PROJECTS

	UNDP (TRAC)	UN Agency	Government	Bilateral*	Others**	Total
Co-financing leveraged before start-up (US$ million)	$7.6	$1.1	$70.9	$30.2	$57.6	$167.4
Co-financing leveraged during implementation (US$ million)	$0	$0.1	$12.2	$47.0	$8.9	$68.2
Total	**$7.6**	**$1.2**	**$83.1**	**$77.2**	**$66.5**	**$235.6**

* Besides bilateral funding agencies these numbers include funding from Regional Development Banks, Donor goverr (or special funds) and foreign embassies.
** This column also includes funding from NGOs and private sector.

2 As was already highlighted in last year's PIR a common **terminology** related to financial leverage but also to the leverage of "actions" is needed within the GEF family in order to facilitate the reporting on impacts of GEF projects.

conferences, purchasing of additional equipment or an increase in government funding commitments for specific project activities and seconding staff beyond the in-kind contribution agreed upon up-front.

14. The biggest share (82%) was leveraged by Pilot Phase projects (constituting 59% of the PIR 99 project portfolio). The leveraging success of Pilot Phase projects could be explained by the longer implementation period compared to GEF 1 projects.[3] UNDP/ GEF projects have followed the strategic considerations outlined in the Operational Strategy,[4] i.e. to reduce the risk associated with scientific and financial uncertainties, lower transaction costs and facilitate effective responses by other entities, such as bilateral, regional and other multilateral organizations, NGOs, governments and the private sector, to address global environmental issues. In the last years UNDP has moved to more systematically address leveraging requirements as part and parcel of project development. In many projects "leveraging tasks" were added as a core project function (internalized in the Terms of Reference of CTA's and other staff). Future PIR reporting will most certainly show a further increase in resources leveraged up-front and during project implementation.

CAPACITY DEVELOPMENT

15. Capacity Development has a critical role to play in an environment where the global community is keenly interested in the sustainability of efforts to address global environmental problems. UNDP promotes the concept of "capacity development" that encompasses utilizing and improving capacities that exist in organizations, individuals, as well as the overall system or enabling environment in which organizations operate and interact. It connotes facilitating a gradual process of change that takes place from within rather than an externally driven one.

16. This corresponds to what UNDP has learned about the various levels at which capacity development must take place, namely at the level of the individual (**human capacity**), the level of the institution or entity (institutional capacity), and the level of the broader system or enabling environment (**systemic capacity**) within which entities and individuals function.

17. The development of **human capacity** is an essential ingredient for project success. Through the organization of training sessions and training workshops, visits to similar project sites, by funding studies, internships and staff exchanges, and hiring national consultants, projects create human capacity necessary to sustain the projects' achievements beyond the implementation period. Projects report that one of the root causes of pressure on ecosystems in conservation areas is the lack of sustainable livelihoods in communities. Increasing the capacity of local people to generate economic benefits generally plays a major role in changing attitudes and in motivating the local population to sustain project achievements (*Dominican Republic Coastal Zone, Pakistan Biodiversity*). Strengthening of human capacity is a process, which should begin at the project design stage by ensuring the involvement of all relevant stakeholders and continue throughout project implementation. It should also involve the transfer of responsibility ("decentralization with accountability").

UNDP has proposed a set of definitions for the financial leverage of resources that should provide the basis for a discussion and subsequent agreement on terminology for the future. (UNDP formally proposed this definition to the GEFSEC and the IAs on July 19, 1999.)

3 Leveraging was not a specific goal of the GEF Pilot Phase.

4 GEF Operational Strategy, 1996, pp.3-7.

18. UNDP/GEF's **institutional capacity** building activities are targeting a variety of institutions and organizations, among them governmental agencies, non-governmental organizations, community-based organizations, municipalities, research and environmental information centers, and others. However, during their design stage projects sometimes overestimate the operational capacity of the collaborating organizations to deliver project outputs with the degree of quality and quantity required. Projects such as *Guatemala RECOSMO, Panama Darien, Regional Maghreb GHG Emissions* and *Yemen Socotra* therefore suggest in their PIR reports the need for a more thorough assessment of both existing capacities and training needs at the time of project design to effectively assess the activities and resources required to improve capacities in the course of project implementation. Recognizing and addressing the operational capacity gaps of collaborating organizations (including the potential executing agency) requires time and resources and collides with other interests such as a quick start-up and the tight timetables.

19. In order for micro-level capacity development efforts (institutional and human) to be successful, the broader system or environment in which these entities function needs to be taken into account as well. The **systemic capacity** (political, legal and economical) of the country or region is not only of utmost importance for impact achievement and sustaining project results beyond project completion, but also has a strong influence on implementation progress. Especially for projects with short implementation periods it becomes a definite advantage if the project can build on the general political and ethical trends in the region (see for example *Regional Danube II*). However, it should also be noted here that in the case of regional projects systemic capacity often differs substantially between participating countries. Even if the general support is high, different levels of economic development, technology and human skills can lead to variations in the quality and precision of implementing project activities. The *Regional Gulf of Guinea* project reported that the establishment of "activity groups" of national and regional experts on the different subjects tackled by the project's activities has proved to be a valuable tool in overcoming differences in skills and capacities in participating countries.

PHASED APPROACH

20. Many projects report the need for a longer time span of implementation and, at the same time, more flexibility in planning project activities. For example the *Regional Maghreb GHG* project concludes that capacity building projects, especially those dealing with important global issues, need to be implemented over a sufficiently long time span to enable adequate awareness raising (especially at the institutional, political and decision-making level) and to enhance the national/regional environment for achieving environmental goals. In order to be able to work in close collaboration with stakeholders, project activities need to maintain some flexibility and allow for negotiation to make them relevant to local stakeholders and the global environment. Flexibility in program design also allows managers to take advantage of opportunities for linkages with other projects and programs, with mutual benefits and access to external sources of funding. Together with the establishment of benchmarks a phased approach would allow the close monitoring of project successes and at the same time provide incentives for all involved parties to deliver the planned outputs in order to be able to continue and receive funding for subsequent phases.

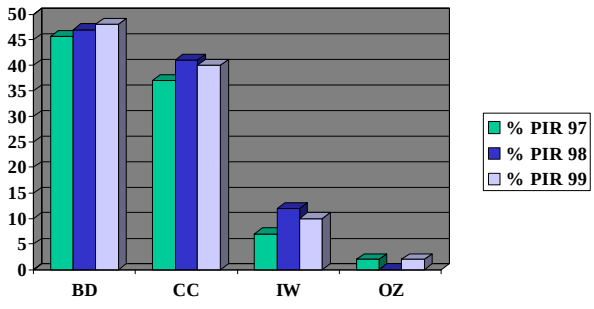
PORTFOLIO OVERVIEW

21. Since the initiation of the annual Project Implementation Review in 1995 the UNDP/ GEF annual approved Work Programme has grown from $30 million in FY 95 to over $180 million in FY 99. Consequently the number of projects for which monitoring information needs to be collected, analyzed and consolidated during the PIR process is increasing steadily. The total number of 63 UNDP/GEF projects being reviewed in the 99 PIR exercise constitutes an increase of 30% (or 16 projects) compared to the 98 PIR which collected information for 47 full projects.

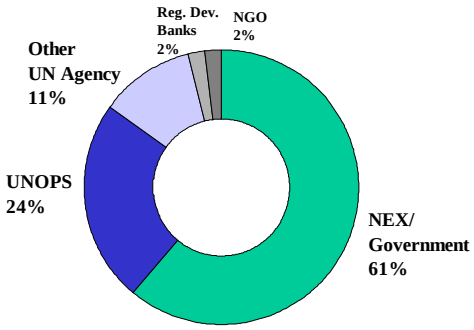
22. With 30 projects (or 48 %) the biodiversity focal area has the biggest share of the PIR portfolio, with the climate change portfolio being a close second with 25 projects (or 40 %). There were seven international waters projects under review and the PIR this year did also include one ozone depletion project. This year 22 new projects were included in the PIR for the first time and 22 are participating in the PIR for the last time.

23. The distribution of PIR projects by focal area over the last three years is presented in the following graph:

Distribution of PIR Projects by Focal Area 97/98/99
No of projects in %



Executing Agencies for UNDP/GEF Projects
Number of projects in %



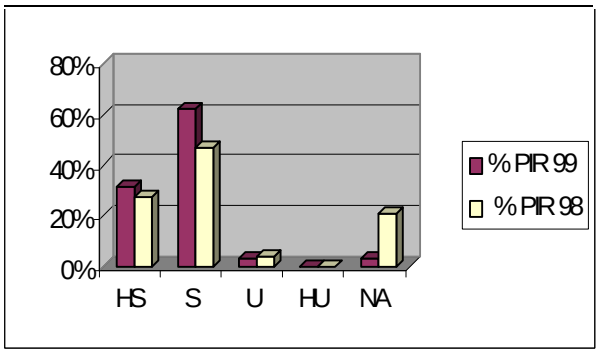
24. The distribution of PIR projects by type of executing agency is presented in the graph above.

25. Using the rating categories provided in the PIR guidelines a total of 20 projects were rated highly satisfactory and 39 projects satisfactory on impact achievement, representing about 94% of the PIR 99 portfolio. Only two projects rated their potential impact achievement with unsatisfactory and there is no project with a highly unsatisfactory rating. Compared to FY 98 and FY 97, this seems to continue a trend of high potential impact achievement for UNDP/ GEF projects. The picture for the rating of implementation progress looks fairly similar. 21 projects report highly satisfactory progress and 39 projects satisfactory progress in implementation. Only one project rated the achievement of its immediate objectives as highly unsatisfactory and two projects report an unsatisfactory rating.

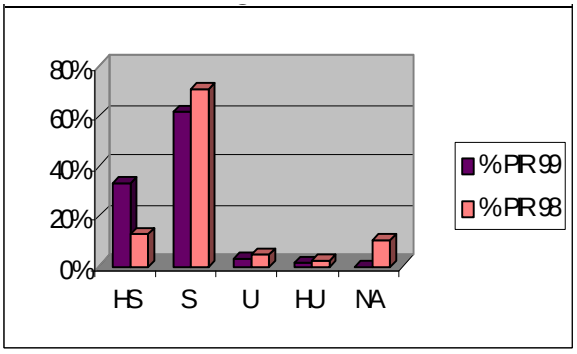
Indicators

26. A number of retrofitting exercises were conducted in the last year, either specifically scheduled in order to comply with PIR reporting requirements or as part of regular UNDP M&E exercises. Out of the 63 projects participating in this PIR exercise 55 (87%) list indicators for the immediate objectives and 49 (78%) list indicators for the development objective level. Some of these even report on indicators at the level of outputs. Given the fact that 95% of the projects monitored in this exercise are still pilot

COMPARISON 99/98: RATINGS FOR DEVELOPMENT OBJECTIVE



COMPARISON 99/98: RATINGS FOR IMMEDIATE OBJECTIVES



phase projects or GEF 1 projects that entered the UNDP/GEF work programme before mid 1997 (i.e. before the establishment of logframes became mandatory), this shows the substantive commitment on the part of Project Teams and UNDP/GEF Focal Points to comply with GEFSec and GEF Council requirements for reporting.

LAND DEGRADATION

27. At least three-quarters of ongoing projects in the GEF/UNDP portfolio can be listed as being relevant to the cross-cutting theme of land degradation. 40% of all projects are recognized by the project managers as having some or all of their activities directly relevant to LD. The fact that they are not formally listed as cross-cutting has given the wrong impression to all partners concerned.

28. The majority of projects relevant to land degradation were in OP2 and 3 (18% and 25% respectively). Two other OPs (1,4) had a fair share of projects related to land degradation (10% each). Other projects with relevant activities were in OP 5,6,8, and in CC Short Term Measures, and BD Enabling Activities. This distribution shows that land degradation activities are not just relevant to BD focal area, but also to CC and IW.

29. The fact that land degradation activities absorb a higher percentage of non-GEF funding reflects the strong ability of the cross-cutting issue in leveraging co-financing. Therefore, there is a need for guidelines on what constitutes the cross-cutting theme on land degradation, and what specific activities can be eligible for GEF funding. As all three IAs are currently engaged in land degradation related projects it is important that clearer, more consistent, and more accessible guidelines are stipulated and made accessible through all channels.

TABLE DISTRIBUTION OF LAND DEGRADATION RELATED PROJECTS BY OP AND REGION

OP >	1	2	3	4	5	6	7	8	9	10	ST	EA	Pilot	*TOTAL No. %*
A	2	3	8	2		3		3				1		**17 36%**
AP	1	2	3	2	2						1	2	2	**13 25%**
AS	2	2	2	1		1					2	1		**10 16%**
LAC		3	1			2								**6 11%**
EC														**2 3%**
GLO	1	1	1	1				1		1		1		**5 10%**
TOTAL NO. %	**6 10%**	**11 18%**	**15 25%**	**6 10%**	**2 3%**	**6 10%**		**4 6%**		**1 1%**	**3 5%**	**5 8%**	**2 3%**	**61**

ST = Short Term measures, EA = enabling activities, Pilot = pilot phase.
Note : double counting exists due to projects that are listed in multiple OPs.

APPENDIX C2
UNITED NATIONS ENVIRONMENT PROGRAMME
PROJECT IMPLEMENTATION REVIEW 1999

OVERVIEW

PORTFOLIO OVERVIEW AND STATUS

1. UNEP's GEF Project Implementation Review (PIR) for FY 1999 covered a total of 14 full and medium sized projects. The portfolio under review included 7 biodiversity projects, 2 climate change projects, 1 international waters project and 4 projects dealing with protection of the ozone layer. Within this portfolio are projects dealing with assessments and inventories, generation of best practices, targeted research, methodology and tool kit development and demonstration, the management of transboundary ecosystems and emergency short-term measures. The review focused on UNEP's experiences in project planning and implementation as well as lessons learned.

2. It should be noted that UNEP's overall GEF portfolio consists of 28 full size projects, 12 medium sized projects, 27 PDF As, 31 PDF Bs, and 67 Enabling Activities, including the clearinghouse add-on modules for biodiversity enabling activities. Of the 28 full size projects in the portfolio, 9 are on biodiversity, 5 on climate change, 8 on international waters, 4 on protection of the ozone layer and 2 cut across the GEF focal areas. Of the 12 medium sized projects, 7 are on biodiversity, 1 on climate change, 1 on international waters, 3 on protection of the ozone layer. The PIR for FY 99 is therefore reviewing approximately 30% of the overall portfolio of UNEP's GEF full and medium sized projects.

3. All UNEP GEF financed projects endorsed into the GEF Work Programme before June 30, 1997, have been committed (i.e. internally approved by UNEP. These projects have not yet been under implementation for more than one year and are therefore not subject to the FY 99 PIR, but will be under review in the FY 00 PIR.

4. Completed projects include the Biodiversity Data Management Capacitation in Developing Countries and Networking Biodiversity Information (BDM) project; Country Case Studies on Sources and Sinks of Greenhouse Gases; Capacity Building and Infrastructure: Participation in the Assessment, Methodology Development, and other Activities of the Intergovernmental Panel on Climate Change (IPCC). Independent evaluations of these projects were carried out upon completion of the projects.

SUMMARY PERFORMANCE AND LESSONS LEARNED OVERVIEW

5. **Performance of GEF projects relative to comparable non-GEF projects—length of time from formal IA approval to first disbursement; analysis of disbursement history.** The average time frame between from formal IA approval to first disbursement of UNEP's GEF projects has been reduced from an average of 4 months down to 2 weeks. For all GEF funded projects that have been formally approved by UNEP on or before September 30, 1998, disbursements have already begun. Annex IV provides a disbursement history of the projects covered by the FY 99 PIR.

6. **Ratings of Implementation Progress.** On average, UNEP projects covered during PIR 99 had a rating of (S) for Implementation Progress. This was similar to the average ratings of the FY 98 PIR. The Implementation Progress for these regional and global projects was significantly influenced by the level and effectiveness of coordination and mobilization of the many institutions and individuals participating in project design and implementation. Thus, projects in general exceeded the original project implementation plans by approximately one year, having to undergo Internal UNEP Project Revisions to enable an extension in project duration. Internal political and institutional issues in a small number of the participating countries were often the cause of delays in the implementation progress of the projects as a whole.

7. However, given that the projects, experiencing such a delay, involved a larger number of countries than in most other conventional GEF projects thus involving a higher level of coordination among the various participating countries, such delays were not viewed as a major problem towards ensuring that projects did indeed meet their objectives. Rather, project implementation progress was facilitated by providing additional technical backstopping to those countries lagging behind.

8. **Accomplishment of project purpose.** UNEP's projects covered under this year's PIR achieved the same average rating as for the previous year's PIR (S/HS). In general, a large percentage of this portfolio has assisted in providing countries with the necessary building blocks and scientific basis for developing national strategies for biodiversity, climate change mitigation and adaptation by carrying out relevant inventories and assisting in providing guidelines and frameworks by which stock-taking and national planning exercises could be more easily carried out. These projects included the inventory and methodology development projects: Support to the Preparation of Biodiversity Country Studies; Country Studies on Climate Change Impacts and Adaptation Assessments and the Economics of Greenhouse Gas Limitations - Establishment of a Methodological Framework for Climate Change Mitigation Assessment. These methodology related projects have assisted countries in the first step to being able to take into consideration biodiversity and climate change issues by providing them with tools to carry out assessments and economic analyses of various options to reduce greenhouse gas emissions or conserve biodiversity while meeting other economic or developmental goals. Such was, for example, the case for the Economics of GHG Limitations as the project placed a particularly strong emphasis on integration between national development and environmental priorities.

9. The use of demonstration activities to test and further refine such tools and/or methodologies has been an important exercise in ensuring the usefulness of these tools in reaching the global environmental objectives they were designed for, as in the case of the Inter-American Strategy for Participation Project.

10. Some of UNEP's GEF projects reviewed in the FY 99 PIR exercise were instrumental in generating data and best practices on selected issues. While such outputs are proving to be an important vehicle for reaching their global environmental objectives, this cannot be fully realized unless their dissemination is actively pursued. The web is one such important avenue by which dissemination of such outputs needs to be pursued as is being done in the case of the Inter-American Strategy for Participation project and the project on invasive exotic species.

11. UNEP's only project covered in the FY 99 PIR on the management of a transboundary ecosystem, the Bermejo River Basin, is reaching its completion having developed a Transboundary Diagnostic Analysis for the river basin and developed a Strategic Action Programme for management of this shared water body and its basin.

12. The last type of UNEP GEF financed projects covered in the FY 99 PIR include the emergency short term measure projects. Both projects, along with other national and international assistance, have resulted in rectifying the emergency situation at hand. The main issue at hand is to ensure that these projects put in place plans and build capacity to help ensure that countries will be able to either prevent such a situation from recurring or address it in an effective manner should the situation arise again. For the Mediterranean Monk Seal project, this is being addressed by the development of a National Monk Seal Contingency Plan that outlines agreements and responsibilities of relevant entities in the event of another similar situation. In the case of the Indonesian forest fires, this will entail address underlying causes to the forest fires in the first place and whether this can be addressed within the MSP is still to be addressed.

LESSONS LEARNED

Sustainability

13. UNEP's experience in project implementation over FY 99 noted that projects are more likely to result in creating a sustainable environment if a strong emphasis is placed during project implementation on integrating national development priorities with national environment goals that are being pursued by the project. This in turn requires improved institutional co-ordination between the relevant sectors at national level and ensuring that national institutions, taking the lead in project implementation, have the capacity and ability to influence policy in other key sectors. The extent to which all GEF funded projects do this would be useful in ensuring sustainability of project results.

14. From UNEP's GEF project experiences, projects are also more likely to produce sustainable results when efforts have been placed during project design and implementation to build the capacity of relevant national and regionally based NGOs and scientific centers. Where emphasis is placed solely on governmental entities, although the capacity will be maintained, owing to budgetary cuts and subsequent diversion of action to other pressing priorities, the capacity built there may not end up being used.

Leveraging

15. Holding of regional and national training seminars in conjunction with, and including participants of, other related projects, was one important way projects leveraged a larger target audience. For instance, the "Economics of GHG Limitations" project was able to reach a larger target audience during its training seminars by involving participants from the UNDP and UNEP GEF enabling activities.

16. The provision of scientific information and analysis through UNEP's GEF projects has resulted in the ability of executing agencies to take on board the development of national strategies and plans by basing them on the data already collated and analyzed. This was the case for several UNEP GEF projects such as the Biodiversity Country Studies, the Economics of GHG Limitations, the Bermejo River Basin project and its development of a Transboundary Diagnostic Analysis and the GBA.

17. In addition, projects such as "Development of Best Practices and Dissemination of Lessons Learned for Dealing with the Global Problems of Alien Species" are generating best practices and early warning systems that will assist relevant parties in identifying important areas under threat from invasive exotic species and subsequently adopting best practices in coping with invasive species in the target areas. Access to this information is vital if it is to leverage further action, and its availability on the web, as one avenue for dissemination, has been actively pursued as in the case of the invasive species project. Many other UNEP GEF funded projects, however, have not yet made available such information on the web and will be do so in the coming year.

18. Further, a peer review process is an important aspect of the exercise in order to ensure high quality products.

Stakeholder Involvement

19. The flexibility within countries to enable them to decide on their own composition of national teams to implement projects was considered as crucial. Where national teams comprised of a mix of government, NGO and research institutions, such as in the case for Biodiversity Country Studies and the Economics of GHG Limitations project, the project was implemented at a level where technical assistance was available readily within each country's project teams with capacity being even further enhanced. Although bringing together such a team has, in some cases, resulted in a delay in project implementation, this has been compensated by a broader stakeholder involvement in the process, and hence more effective implementation. Such national teams have, in some cases, continued to support implementation of other related projects.

Technical Assistance

20. The availability of guidelines and/or standard methodologies for dealing with particular issues has been instrumental in providing assistance to countries in dealing with issues of a difficult nature. Additional guidance is needed on issues such as the use of incentive measures and economic valuation to meet national development and environment objectives.

21. Multi-country projects have enabled the exchange of information and provision of technical assistance during project implementation. Such arrangements should be promoted provided that realistic consideration is given to the fact that engaging a number of countries in such joint activities takes longer than for conventional single-country projects. Such single country projects have lacked such a supporting environment unless it has been added on later as was the case of the Biodiversity and Climate Change Support Programmes for Enabling Activities.

CONCLUSION

22. Issues arising from the FY 99 PIR include the need to ensure a strong emphasis in project design and implementation on institutional co-ordination between the relevant sectors at national level. There is also a need to ensure that national institutions, taking the lead in project implementation, have the capacity and ability to influence policy in other key sectors if global environmental considerations are to be fully considered in national development agendas and plans.

23. Important issues and processes, including economic valuation and the use of incentive measures as examples, need to be identified in order to determine what further guidance in the form of methodologies/tool kits are needed by countries wishing to engage in their application.

24. In addition, projects should be designed in such a way that implementation involves a mix of NGOs, scientific institutions and governmental agencies who in turn can each bring different perspectives and experiences to project implementation. Further, projects should be designed on the basis of a strong foundation of scientific information and analyses and thus the involvement of a strong scientific component in project proposals is crucial to effective implementation on the ground.

25. Where projects are generating best practices, guidelines and methodologies on important or critical issues, the dissemination of these outputs is vital if the global environmental benefits of these projects is to be fully realized. Access to this information and its dissemination cannot be overstated, particularly on the web, as one important avenue for dissemination of such information.

APPENDIX C3
WORLD BANK
PROJECT IMPLEMENTATION REVIEW 1999

OVERVIEW

THE IMPLEMENTATION REVIEW PROCESS AND METHODOLOGY

1. The GEF portfolio is now fully integrated into the ARPP process as part of the "Bank-Managed Special Programs" that include Montreal Protocol, West Bank & Gaza and the Guarantee Program. The ARPP is managed by the Bank's Quality Assurance Group (QAG) and is now linked to the QAG's ongoing work effected primarily through "quality at entry" and supervision assessments. Portfolio management has evolved into a constant and forward-looking activity conducted by the Bank's operational "Regions," and increasingly by the thematic "Networks." The ARPP serves the purpose of providing quick-response data analysis and interpretation to assist the Regions with their portfolio management. There are no required submissions for the ARPP, which is prepared entirely on the basis of materials used by the Regions for their own portfolio management purposes.

2. The ARPP process began in May 1999 with broad consultations on the scope and approach of the review carried out initially among the operational Regions and core units of the Bank, and finally with a sub-committee of the Bank's Board of Executive Directors. The process will culminate with a report to the Bank's Board at end-September 1999.

3. The PIR process within the Bank applies the same principles and approach as the ARPP in order to be consistent with the agreed philosophy that GEF activities are part of the mainstream of Bank operations. The ENV GEF Anchor manages the PIR process within the Bank, with the support of the Regional Coordinators and task teams.

4. For the Bank-managed GEF portfolio (see definition in paragraph 6), the Project Status Report (PSR) is the basis for the PIR analysis of portfolio composition and performance. This is the first year that the Bank's PSR will also serve as the individual project report for the PIR. It should be noted that the PSR is an electronically generated minimal text document that allows Bank management to review project status "at a glance" and to focus on key issues, primarily through ratings of achievement of development objectives, implementation progress and project-specific risk factors. The streamlined reporting approach has been adopted by Bank management to ensure that resources are allocated to active project supervision rather than extensive reporting. Executing agencies, IFC and IDB, whose supervision/monitoring reports cannot be included in the Bank's reporting systems, were requested to provide the necessary information for the PIR in accordance with the Bank's formal arrangements with them.

5. The methodology for assessing portfolio performance in FY99 follows that of the ARPP. Projects are rated individually on their Implementation Progress (IP) and likely achievement of Development Objectives (DO). For GEF operations, achievement of Global Objectives (GO) is also rated. Portfolio health is measured in accordance with the concept of *projects at risk*, which includes both *actual and potential* problem projects. *Actual* problem projects are those for which IP and/or DO/GO are judged to be unsatisfactory or highly unsatisfactory. *Potential* problem projects are those which although rated "satisfactory" by staff, face risks historically associated with unsatisfactory performance as evidenced through sub-ratings for factors such as counterpart funding, project management performance, financial management etc. A realism index[1] is used to identify over-optimism in ratings (characterized by a low realism index) and a proactivity index which indicates the timeliness with which actions are taken to upgrade, restructure or close problem projects (a high or rising proactivity index is desirable). The Bank also monitors a number of factors relating to portfolio management and impact that are verified ex-post. These are the "disconnect" or differences in assessment between current and ex-post evaluations of project outcomes and in inconsistencies between overall ratings and sub-ratings, and the share of "satisfactory outcomes" which is based on the Bank's Operations Evaluation Department (OED) confirmation that a project has concluded satisfactorily. FY99 is the first year for which "disconnect" and satisfactory outcome analyses are possible for the Bank-managed GEF portfolio.

PORTFOLIO SIZE AND COMPOSITION

6. The portfolio analysis which follows makes reference to three different views of the portfolio. The *Bank-GEF portfolio* includes all approved projects directly managed by the Bank, as well as those managed by the IFC, IDB and ADB (paragraphs 7, 8, 91, 10, 11, 15, 16) which are "executing agencies" that have arrangements with the Bank as Implementing Agency in accordance with the GEF Instrument. The *Bank-managed portfolio* is comprised of those operations approved and managed by the Bank: it is this portfolio that is used in comparative analysis with the World Bank's portfolio performance results (i.e. for disbursement performance, projects at risk, etc.) to ensure comparability of results (see paragraphs 13,14,18) The *FY99 PIR Group* is made up of all projects in the Bank-GEF portfolio that have been under implementation for at least 12 months as of June 30, 1999 (see paragraphs 12, 19, 20). Medium-Size Projects (MSP) have been included in the analyses of size and composition of the portfolio. When launched, MSPs were considered a "pilot" program by the Bank and were not integrated into the reporting or portfolio monitoring systems; the Bank's Board has been informed that actions will be taken to include MSP in all systems during FY00. As MSP currently do not use the DO/IP rating methodology or have a project life comparable to Bank standard operations, they have not been included in the performance analysis this year.

7. Through end-June 1999. the GEF Council had approved for inclusion in GEF Work Programs a total of 147 World Bank, IFC, IDB

1 The ratio of actual problem projects to total projects at risk.

and ADB-managed full size projects with corresponding grant resources of US$1,450 million. Of these, six projects were dropped and three were divided into two projects in response to country and design needs, leaving a net total of 144 projects. Council/CEO approved Medium Size Projects (MSP) totaled 24 by end FY99, with a value of $18.2 million. Bank, IFC, IDB and ADB managements had approved 106 full size projects and 17 MSPs as of June 30, 1999 valued at $1,076.5 million and $13 million respectively.

8. Twelve full size operations valued at US$110.5 million and 15 MSPs valued at $11.6 million were approved by the Bank, IFC and ADB managements during FY99. Nine full size projects exited the portfolio during the year[2], resulting in an active portfolio of 99 projects (82 full size and 17 MSP) worth $949.9 million ($936.9 million/$13 million). This represents an increase of 6.5 percent in terms of number of projects and 2 percent in terms of commitment value in the Bank-GEF portfolio compared with end-FY98. The relatively small growth in both number of projects and value of the Bank-GEF portfolio results from (1) new approvals and project closures being nearly equal for full-size projects and (2) a substantive growth in the number of MSPS, but an average grant size of only $870,000. Thirteen GEF 1[3] projects and 25 GEF 2 projects were awaiting Bank and IFC management approval as of end-June 1999. Seven MSPs approved by the CEO in the latter part of FY99 also remained to be approved by the Bank.

9. The Europe & Central Asia Region continues to have the largest number of full size projects (20 projects or 24 percent) in the portfolio, and Asia (East and South) continues to have the largest volume of commitments ($310.3 million or 33 percent). Owing to a relatively large number of project closures in ECA and LCR, the total number of active full-size projects has actually declined in these two regions. However, LCR manages ten of the 17 MSPs approved to date. Robust MSP and full-size project pipelines are expected to lead to considerable future growth in the LCR portfolio.

10. Biodiversity accounts for 39 full-size projects representing 49 percent of the portfolio and about 77 percent of the MSP portfolio in terms of both number and value projects. Climate change projects have edged ahead in terms of commitment value for full-size projects ($365.8 million or 39 percent). Aggregate commitments for full-size projects have declined in both focal areas compared with FY98 owing to the increased closures/ declining new approvals factor cited above. A similar stabilizing trend with regard to portfolio size (albeit with a real term decline in commitments) has characterized the Bank's standard lending portfolio for reasons related to diversification of lending instruments and portfolio cleansing. With respect to the Bank-managed GEF portfolio. the slowing in management approvals is likely to be a temporary phenomenon linked to more upstream work program entry consistent with the change in business practices agreed in FY97.

11. In FY99, the average age of a project in the Bank-GEF portfolio was 2.7 years. about the same as in FY98. The sustained "youthfulness" of the portfolio results from

2 Two projects were declared closed in FY98 after preparation of last year's PIR. In line with a Bank practice introduced in FY98, projects that closed during the fiscal year under review are excluded from all analyses.

3 GEF1 projects are defined as those approved by the Council or CEO prior to July 1998.

(1) the large increases in the portfolio of FY97 and FY98 and (2) a good record of projects closing on time. Most GEF projects are completed within their originally envisaged implementation period or, in cases where extension is necessary, with an extension of one year or less. Overage projects (more than eight years old), are still an issue for the Bank's standard portfolio, but not for the Bank-managed GEF portfolio. The shorter real project life for GEF operations may result from the narrower scope and more focused design of the operations and/or more decisive actions by project executors or Bank supervision teams.

PORTFOLIO PERFORMANCE

12. Of the approved projects, l ADB, 1 IDB, 7 IFC and 72 Bank-managed GEF grants, including seven MSP were effective and active as of end-June 1999. Fifty-six of the related projects (all full-size) have been under implementation for more than 12 months and are therefore included in the FY99 PIR Group. MSP have not been under implementation long enough to be included in the PIR Group.

13. Substantial progress has been made in fitting the GEF portfolio with monitoring indicators: while only 33 percent of the Bank-managed portfolio (i.e. projects approved and being supervised by the Bank see paragraph 5 above) had indicators at end-FY98, 88 percent of projects had indicators by end-FY99. The monitoring indicators required by the Bank's PSR are those that support the global objective (purpose achievement indicators), in reality, task teams tend to provide indicators for several levels of the logframe. Improved selectivity and quality of indicators are challenges for future supervision reporting.

Disbursements

14. Aggregate disbursements during FY99 for the 65 effective Bank-managed grants totaled $93.8 million, representing a 32 percent increase to cumulative disbursements at end-FY98. This substantial increase (28 percent) over the FY98 aggregate disbursements ($73 million), reflects the rebound of the East Asia region (especially China) after the brunt of the financial crisis as well as take-off for several of the larger climate change infrastructure projects (Kyjov Waste Heat, China Industrial Boilers, Poland Coal-to-Gas) and some ODS projects (Bulgaria. Poland, Russia). The disbursement ratio[4] at 18.1 percent, recovered from a very low 14.4 percent in FY98 that resulted in part from the global financial crisis, but mainly from vertiginous growth in new commitments in previous years. The disbursement ratio for the Bank standard portfolio has remained at about 20 percent for the last three years. Bank-managed GEF grants disbursed are equivalent to 41 percent of grant commitments, a considerable increase over FY98 percent).

15. The aggregate disbursed amount for the Bank-GEF portfolio totaled US$101 million in FY98 compared to US$ 75.7 million for FY97, a 33 percent increase accounted for in part by the Bank as noted above, but also by robust disbursements for IFC operations. In spite of this year's good performance in nominal terms, 27 operations (36 percent of effective grants for

4 The ratio of net disbursements during the year to the undisbursed balance at the beginning of that year. To avoid overstating performance, the Bank calculates the ratio by excluding Trust Fund projects (Bhutan Trust Fund, Peru Protected Areas Trust Fund, Uganda MBIFCT, Brazil Biodiversity Fund, Restructured Mexico Protected Areas that disbursed their entire balances at the time of grant effectiveness).

full-size operations) are experiencing disbursement lags of 50 percent with respect to their appraisal estimates. Reasons for delays vary considerably (effectiveness delays, procurement delays, changes in administration, financial crisis affective Asian countries and Russia, long lead time to implement legal or policy changes) with no one specific cause. A few projects have overcome their initial start-up difficulties and will recover from the large lag, but many will require formal revision of their disbursement plans to regain realism for remainder of implementation.

16. Nearly half of the operations entering the portfolio in FY99 were approved in the last quarter of the fiscal year and were not effective (ie met conditions precedent to disbursing) by June 30. Those projects approved earlier in the fiscal year had wide variation in the time it took to become effective (3 months to 8.5 months), making it difficult to identify a trend at this time. What is certain is that more projects are experiencing delays beyond the target three months for effecting first disbursements.[5] Seven projects experienced a delay of nine months or more in reaching effectiveness. Three projects are already back on track, and two are expected to have a normal take-off this year.

Implementation Performance and Achievement of Development Objectives

17. The Bank's approach to assessing Implementation Performance and achievement of Development or Global Objectives is summarized in paragraph 5 above.

18. Problem projects have declined considerably from the high of 12 in FY98. Only five of the 82 projects in the Bank-managed portfolio (representing 6 percent in terms of number of projects and 12 percent in terms of commitments) received unsatisfactory ratings for either IP, GO or both, and are thus included in the "problem projects" category. The corresponding percentage for the Bank's portfolio of standard lending operations was 14 percent in terms of number of projects and 16 percent in terms of commitment value.

19. In the FY99 PIR group of 56 projects, only five of the Bank-managed projects (9 percent in terms of number of projects) are designated as problem projects. This compares with five problem projects in the FY98 PIR group (62 projects) and eight in the FY97 PIR group (49 projects). For projects that have received unsatisfactory ratings in the Implementation Progress area, the most recurrent problems are in the areas of project management, government commitment and monitoring and evaluation.

20. The number of projects at risk (actual plus potential problem projects, which in this case equals 11 projects) represents 15 percent of the Bank-managed portfolio in terms of number of projects and 14 percent in terms of commitments, compared with 19 percent and 20 percent respectively, for the Bank standard lending portfolio. Much of the improvement in the portfolio has resulted from closure of problem projects. While nearly all Regions contributed to this vast improvement (FY98 projects at risk were equivalent to 21 percent in number terms and 23 percent in commitment value), East Asia, Latin American/ Caribbean, and the Middle East/North Africa Regions made noteworthy efforts to confront and resolve implementation issues.

5 This appears to be a new issue for the Bank standard portfolio as well; the ARPP has recommended that the Bank's Legal Department study the causes of effectiveness.

21. As of FY99 the Bank's Operations Evaluations Department had reviewed 12 closed Bank-managed operations. Of these, only two (15 percent) were deemed by OED to have exited the Bank's portfolio with marginally unsatisfactory or unsatisfactory outcomes. This is considerably better than the Bank's performance which experienced a rise in this indicator to 21 percent in FY99. The net disconnect ratio (as defined in paragraph 5) was also 15 percent. This is slightly higher than the Bank's ratio of 12 percent, with both Bank and GEF being well above the FY99 target of five percent. The relatively high disconnect ratio generally indicates a need for greater attention to the quality of project ratings.

Portfolio Management

22. GEF projects are subject to mid-terms reviews in line with standard Bank practice. These reviews are carried out as part of project supervision, and can be recorded in separate MTR reports when substantive changes result. Six MTRs were conducted in FY99. No projects were restructured as a result of an MTR. The MTR for the Tunisia Solar Water Heating project was used to determine progress under a restructuring that took place prior to the MTR.

23. As noted in paragraph 20 above, the decline in both "at risk" and problem projects is paralleled by a marked increase in proactivity. which rose from 40 percent in FY98 to 83 percent in FY99, indicating significant improvement in dealing with problem projects. Realism, on the other hand, dropped from 71 percent in FY98 to 45 percent in FY99. The low realism and high net disconnnect ratios together argue for greater diligence on the part of task teams in recognizing potential implementation problems. reflecting them in the project ratings and taking early action to avoid slippage into the problem category.

24. Progress has been achieved in FY99 in including GEF operations in the standard quality work of the QAG:

- Seven GEF operations were included in the third Rapid Supervision Assessment sample of 200 Bank operations. This is equivalent to about ten percent of the active GEF portfolio, the same as the Bank.

- Three GEF operations were included in a Quality at Entry review carried out on a sample of 100 Bank operations this year. The GEF and Bank funded Indonesia COREMAP project was cited as one of ten outstanding examples of quality at entry.

Discussions will be held with the QAG to ensure that larger samples of GEF operations or assessments based solely on GEF operations be included in the QAG's forthcoming work.

25. While this year's results for portfolio performance show strong improvements in portfolio management, greater achievements are still possible. While GEF operations have been integrated in OIS reporting systems for two years, they have not been captured by the portfolio management systems or the QAG electronically based quality monitoring systems used by the Regions in their day-to-day portfolio management activities. The Bank's move to SAP will close the gaps, leading to full integration of the GEF portfolio in FY00.

LESSONS LEARNED

26. The World Bank's approach to portfolio management provides a rich source of information and analysis for deriving lessons learned from GEF projects. With the GEF

portfolio being integrated into the Quality Assurance Group's work and the portfolio reviews by the regions' management, there are several instruments that complement the PIR submission to the GEF. These include the Annual Report on Portfolio Performance, Quality at Entry Assessments, Rapid Supervision Assessments, regional Quality Enhancement Plans, and the Operations Evaluations Department's reviews of Implementation Completion Reports (ICRs) and evaluations.

27. The Bank is also committed to better integrating lessons learned into pipeline development and portfolio management, particularly to improve quality at entry and quality of supervision. In this context, the Bank is developing a GEF Operations Knowledge Management plan that will more systematically organize and disseminate lessons learned/good practice, support training, and maintain operations reference material for task teams.

Summary of Conclusions from the Quality Assurance Group's Assessments of World Bank GEF Projects in FY99

28. As of February 2000, nine GEF projects[6] have been included in the QAG's Quality at Entry Assessment and eight projects[7] have been included in the Quality of Supervision Rapid Assessments.

29. The Quality at Entry Assessments reviewed the following aspects of projects:

(a) Project's concept, objectives and approach: The Bank's GEF projects have been rated between satisfactory and highly satisfactory.

(b) Technical and economic aspects: The Bank's GEF projects have been rated between satisfactory and highly satisfactory.

(c) Environmental aspects: The Bank's GEF projects have been rated between satisfactory and highly satisfactory.

(d) Poverty and social aspects: Although most projects were rated satisfactory, there were a few instances of marginal ratings.

(e) Financial management aspects: Most projects were rated satisfactory or highly satisfactory.

(f) Institutional capacity analysis: The Bank's GEF projects were mostly rated satisfactory, but there were a few instances of marginal rating.

(g) Readiness for implementation: Almost all projects were rated satisfactory or highly satisfactory.

(h) Bank input and processes: Almost every project received a satisfactory rating.

30. The QEA reviews highlighted the importance of appropriate sequencing of

6 South Africa Cape Peninsula, Uganda PAMSU, Indonesia Coral Reef Management and Rehabilitation, Czech Republic Kyjov Waste, Latvia Solid Waste Management, Romania Biodiversity, Ukraine ODS, Regional Red Sea SAP, and Bangladesh Aquatic Biodivesity.

7 Ghana Coastal Wetland Management, China Fuel Efficient Industrial Boilers, Russian Federation ODS, Brazil Biodiversity Fund, Honduras Biodiversity Project, Jordan Gulf of Aqaba, Mediterranean Pollution Control, and Tunisia Solar Water Heating.

assistance to clients, a focus on benchmarks and on demonstrated results rather than plans and promises, generating basic sector information during preparation, and coordination among donors. Experience from the Bank's GEF projects also demonstrate that the integration of environmental protection (including biodiversity and climate change issues) and natural resource management into country and sector strategies are important conditions for country ownership and project success.

31. The Rapid Supervision Assessments reviewed projects for four factors:

(a) Focus on development impact: Most Bank GEF projects were rated satisfactory to highly satisfactory.

(b) Supervision of fiduciary aspects: With one exception, all projects were rated satisfactory.

(c) Adequacy of supervision inputs and processes: Most projects were rated satisfactory or highly satisfactory.

(d) Realism of project performance ratings: Most projects were rated satisfactory, although there were a few instances of highly satisfactory and marginal ratings.

32. The RSA reviews of the Bank's GEF projects emphasize the need for the involvement of the Bank's regional managers in addressing and resolving generic issues that might be impeding project implementation. Solid management support is particularly important in joint operations with other Implementing Agencies, in order to deal with institutional and procedural matters. QAG's reports also highlight the importance of more realistic assessments of clients' ownership and project risks, as well as the need to be proactive in identifying concrete measures to rectify deficiencies or to address risks.

Synthesis of Lessons Learned from ICR Evaluation Summaries in FY99

33. The following are some lessons of broad applicability identified by OED's ICR Review Evaluation Summaries:

(a) Even where institutional objectives of projects are achieved, the impacts might be lessened when major policy implications are not adequately accepted.

(b) Decentralization activities will be successful at the sectoral level, and in particular for the environment, when they are part of a clear overall political commitment and are accompanied by appropriate reallocation of fiscal resources and resource mobilization authority.

(c) The absence of benchmark indicators and rigorous monitoring of results can undermine the demonstration value of projects, as well as limit opportunities for learning and replication.

(d) The replicability of projects can be improved by integrating results into policy at the national, regional and local levels.

Sustainability of Biodiversity Conservation

34. The Bank's experience confirms that there is a need to shift the discussion from "sustainability of biodiversity projects" to "sustainability of biodiversity conservation," with an understanding that GEF projects make contributions to that goal, along a path that requires long-term approaches. The GEF will also

need to continue experimenting with innovative financing instruments for biodiversity, as well as adopt more flexible project designs that permit a more iterative approach during implementation.

35. Implementation experience in the Bank's GEF portfolio demonstrates that the sustainability of biodiversity conservation depends on political will at all levels—national, regional and local. It is also clear that expecting biodiversity conservation—a public good—to be self-financing would be unrealistic in many cases. Several projects have shown that willingness to pay the public good is a matter of valuation, but not just economic valuation. It is also a question of quality of life or value of national heritage. This means that awareness raising as well as building pride in natural heritage is critical to sustainability, since it creates a political environment that supports biodiversity conservation. In the long term, the most promising opportunities for conserving biodiversity sustainably lie in seeking synergies between conservation and development through mainstreaming, for example through protection of a watershed forest to protect irrigation schemes and for flood control.

36. An important lesson from the biodiversity portfolio is that it is difficult to generalize the condition necessary for sustainability of biodiversity conservation. For example, while decentralization might be part of the solution in many countries, it is leading to greater pressure on forests and natural resources in some policy environments. Similarly, land tenure has a mixed record in encouraging conservation. Bank task teams face methodological challenges in defining what is an acceptable degree of loss of biodiversity and what the consequences might be. There is also a need to identify examples of where equitable distribution of benefits supports conservation goals, as well as how, where and under what conditions community management of biodiversity is leading to more sustainable conservation.

Forestry-Related Issues

37. OED's Forest Policy Review and Background Paper on the Bank's GEF Forest Portfolio provided an important opportunity for the Bank to take stock of lessons learned and to identify opportunities and constraints in developing and implementing projects to protect forest biodiversity. The following were key points of direct relevance to GEF operations:

(a) The need to strengthen the Bank's work outside protected areas. The statement that "effective forest conservation will require extending project investments beyond the current protected area and buffer zone conservation to include connectivity and vastly extended ecosystems of managed forests" is a major innovation and an area in which the Bank intends to become much more active.

(b) The need to substantially strengthen efforts in support of sustainable use, including sustainable forestry. This will require an active partnership between the Bank and the GEF in order to find meaningful ways to support sustainable logging as an integral component of the conservation tool kit.

(c) The need to increase the participation of the private sector in biodiversity conservation. In addition, the Bank is examining ways to expand its collaboration with the IFC in this area.

(d) The Bank recognizes that more rigorous efforts are required to establish monitoring and evaluation systems to measure

conservation impact in addition to project outputs. The new entries in the pipeline emphasize this aspect.

(e) The Bank's experience shows that mainstreaming is a long-term process and that, despite the fact that substantial progress has been achieved, much more needs to be done. In particular, it is desirable to better link the forestry agenda with broader development goals. Many of these lessons are being applied, for example in the CAS process and in the development of the Mexico Biodiversity Programmatic Framework.

(f) It has become evident that it is necessary to "unbundle" the difference between (i) pure global environmental benefits, (ii) national benefits in the mid to long term, (iii) national benefits in the short/ medium term not captured by markets, and (iv) national benefits that are profitable in the short term. Making a distinction between these types of benefits will demonstrate that most benefits related to forest conservation accrue at the national level, even if they are not captured by markets in the short term. The operational implication is that mainstreaming at the national level, not just international resource transfers, provides an effective way to conserve forests.

(g) The GEF has played a major role in enabling the Bank to remain active in the forest agenda. The reasons for this include: (i) the fact that the GEF has served as a catalytic factor in strengthening the country dialogue; (ii) the GEF has opened doors to identify projects or sectors in new areas; (iii) the existence of the GEF has increased internal awareness about the importance of biodiversity and forests; and (iv) the GEF has supported mainstreaming by requiring the strengthening of specific staff skills.

Portfolio Management Issues

38. The critical operational issue that has been flagged during FY99 is that GEF projects need to be fully integrated into, and covered by, regional quality enhancement strategies, including being subsumed in country and sector-based reviews. This will help ensure that GEF projects and their task teams have the involvement of sector managers, receive the necessary technical support, and that they meet Bank service standards for PSRs. In particular, the ARPP recommended that the AFR and ECA regions need to review their internal procedures for the GEF portfolio to ensure that projects at risk receive adequate management attention.