

GEF Annual Performance Report 2009

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EVALUATION OFFICE

**Global Environment Facility
Evaluation Office**

GEF Annual Performance Report 2009

October 2010

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1818 H Street, NW
Washington, DC 20433
Internet: www.gefeo.org
Email: gefeo@thegef.org

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Credits

Director of the GEF Evaluation Office: Robert D. van den Berg

Team Leader: Aaron Zazueta, Senior Evaluation Officer, GEF Evaluation Office

Task Manager: Neeraj Kumar Negi, Evaluation Officer, GEF Evaluation Office

Evaluation Team: Shaista Ahmed, Ines Angulo, Viktoriya Kim, Rajesh Koirala, Pallavi Nuka, Luisa Fernanda Lema Velez, and Tommaso Balbo di Vinadio, consultants

Editing and design: Nita Congress

Cover photo: Red-crested cardinal at Costanera Sur Ecological Reserve, Buenos Aires, by Neeraj Kumar Negi, GEF Evaluation Office

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Abbreviations

ADB	Asian Development Bank	OPS	overall performance study
APR	annual performance report	OPS4	Fourth Overall Performance Study
CEO	Chief Executive Officer	PIF	project identification form
FSP	full-size project	PIR	project implementation report
FY	fiscal year	PMIS	Project Management Information System
GEF	Global Environment Facility	RAF	Resource Allocation Framework
IDB	Inter-American Development Bank	SGP	Small Grants Programme
IEG	Independent Evaluation Group	STAR	System for Transparent Allocation of Resources
IFAD	International Fund for Agricultural Development	UNDP	United Nations Development Programme
M&E	monitoring and evaluation	UNEP	United Nations Environment Programme
MAR	management action record	UNIDO	United Nations Industrial Development Organization
MSP	medium-size project		

Foreword

The Evaluation Office of the Global Environment Facility (GEF) is pleased to present its sixth annual performance report (APR) evaluating the performance of the GEF portfolio. The conclusions of this evaluation are based on information collected through the monitoring and evaluation systems of the GEF Agencies.

The report presents independent assessments of topics highly relevant to the success of GEF efforts: project outcomes and sustainability, factors affecting attainment of project results, and quality of monitoring and evaluation arrangements. In addition to the regular features of the APR, this report presents findings of special reviews on the GEF approach to cofinancing, quality of supervision, and the GEF approach to Agency fees. Of these, the review on quality of supervision is a follow-up to a pilot review presented in APR 2006, and its findings have been reflected in the conclusions of the Fourth Overall Performance Study of the GEF.

The preliminary findings of the APR were shared with the GEF Secretariat and the GEF Agencies in an inter-Agency meeting held in Washington, D.C., in April 2010. The feedback received during this meeting was used to further refine the findings and conclusions. The draft versions of this APR were also shared with the Secretariat and Agencies for comment; these comments were addressed in the report presented to the GEF Council.

The findings and conclusions of this APR were discussed by the Council during its meeting in June 2010. A key concern the Evaluation Office brought to the Council's attention was that, despite improvements in the quality of terminal evaluations, long time lags and uncertainty in the completion and submission of terminal evaluation reports continue to exist. Taking into account the APR findings, conclusions, and recommendations, and the management response to the APR, the Council requested that the GEF Evaluation Office, Secretariat, and Agencies "work together in identifying and implementing measures to improve the quality of information available through the GEF Project Management Information System on the status of projects through the project cycle, including agency compliance with deadlines for terminal evaluations." The Evaluation Office will, in accordance with the Council's request, report on the progress made in this area in the next annual performance report.

I would like to thank all of those involved for their support and criticism.



Rob van den Berg
Director, Evaluation Office

Acknowledgments

The annual performance report (APR) is a joint effort of a number of Global Environment Facility (GEF) Evaluation Office staff and consultants. Serving as the task team leader for general supervision of the report's progress was Aaron Zazueta, Senior Evaluation Officer in the GEF Evaluation Office. Neeraj Kumar Negi, Evaluation Officer, served as the task manager and was responsible for coordination among the APR team members, and for the development of this report including drafting of the overall document. Ines Angulo, consultant, drafted the chapter on the management action record.

Appreciation is also due to the APR team members who reviewed the terminal evaluations. They include Shaista Ahmed, Ines Angulo, Pallavi Nuka, Tommaso Balbo di Vinadio, Luisa Fernanda Lema Velez, and Rajesh Koirala, consultants. Neeraj Kumar Negi and Ines Angulo provided feedback to the primary reviewers.

Aaron Zazueta led the review on quality of supervision. Neeraj Kumar Negi participated on the

panels; as did Bernard Baratz, Stefanie Brackmann, Nicolas Kotschoubey, Frederick Schwarzendruber, and Tommaso Balbo di Vinadio, consultants. From the GEF Secretariat, Deborah Hines, Senior Results Management Coordinator; Dimitrios Zevgolis, Climate Change Specialist; Paul Dolan, Senior Public Private Partnerships Specialist; Dima Reda, Operations Officer; and Yoko Watanabe and Jaime Cavelier, Senior Biodiversity Specialists, also participated as panel members.

Neeraj Kumar Negi led the reviews of the GEF approach to cofinancing and Agency fees. Consultants Viktoriya Kim and Rajesh Koirala provided research assistance for the analytical work on cofinancing.

The Evaluation Office thanks the staff of the GEF Secretariat and Agencies for their valuable comments and contributions to this evaluation. The Evaluation Office remains fully responsible for the contents of the report.

1. Background and Main Conclusions

1.1 Background

This document is the sixth annual performance report (APR) presented by the Evaluation Office of the Global Environment Facility (GEF). It includes a detailed account of some aspects of project results, of processes that may affect these results, and of monitoring and evaluation (M&E) arrangements in completed GEF projects. This APR also contains assessments on the GEF approach to cofinancing and to Agency fees, and on a follow-up review of quality of project supervision. The report features a performance matrix summarizing the performance of the GEF Agencies and the GEF Secretariat on various parameters tracked by the Office.

APR 2009, like its predecessors, looks at project outcomes, project sustainability, project completion delays, materialization of cofinancing, and quality of monitoring in completed projects. To date, terminal evaluations for 340 projects, which account for \$1.586 billion in GEF funding, have been submitted to the GEF Evaluation Office. Of these, 55 were submitted in fiscal year (FY) 2009, accounting for \$208 million in GEF funding.

For the **assessment of project outcomes, project sustainability, and delays in project completion**, 265 projects, for which terminal evaluation reports were submitted by the GEF Agencies to the Evaluation Office since FY 2005, were considered.

For reporting on **materialization of cofinancing**, all 340 projects for which terminal evaluation reports had been submitted since FY 2002 were considered. More than three-quarters of these (265, or 78 percent) contained information on cofinancing materialization. The GEF has invested a total of \$1.195 billion in these 265 projects, and the Implementing Agencies reported that cofinancing of \$3.594 billion had materialized during their implementation. For the 55 projects in the FY 2009 cohort, the Agencies reported that cofinancing of \$631 million had materialized during implementation.

The assessment of the **GEF approach to cofinancing** is primarily based on the review of project documents for recently approved projects and terminal evaluations for completed projects. The follow-up assessment on **quality of supervision**, which tracks changes from the pilot assessment presented in APR 2006, is based on review of a representative sample of 47 projects under implementation during FY 2007 and 2008. The assessment of the **GEF approach to Agency fees** is based on a review of GEF approaches—past and present—to support Agency expenses on corporate activities and on project cycle management.

This year's **management action record (MAR)** tracks the level of adoption of 34 GEF Council decisions based on 13 GEF Evaluation Office evaluation reports. The Office was able to verify

32 of these decisions. Five of these achieved high adoption ratings, and have thus been graduated and will not be tracked in the next MAR.

The **performance matrix** provides a summary of the performance of the three GEF Implementing Agencies and the GEF Secretariat on various parameters. When the number of projects completed by other Agencies reaches a critical mass, they will be included in the matrix as well. Most of the matrix's parameters are assessed on an annual basis by the Evaluation Office; others are tracked after two to three years. This year, ratings are presented on 10 of the 13 parameters.

The APR is largely based on evidence presented in the terminal evaluation reports, with verification of performance ratings through desk reviews. The evaluation offices of several Agencies have conducted similar reviews for the past couple of years. For example, since FY 2007, the Evaluation Office of the United Nations Environment Programme (UNEP) has provided performance ratings for all of UNEP's completed GEF projects. Similarly, the World Bank's Independent Evaluation Group (IEG) conducts desk reviews of all terminal evaluation reports produced by management for full-size projects (FSPs) and conducts more intensive field verifications for a sample of these projects. The GEF Evaluation Office has tracked the ratings provided by partner Agency evaluation offices and has found that these match its ratings quite well. The same level of agreement is not found in comparisons with ratings provided in the terminal evaluations themselves, which tend to be more optimistic.

To reduce duplicative effort, the GEF Evaluation Office has started accepting the ratings provided by the UNEP and World Bank evaluation offices and now reviews only a sample of terminal evaluations when such evaluations have already been reviewed by them. Because the Evaluation Office

of the United Nations Development Programme (UNDP) only began desk verification of the outcome achievements of completed projects this year, its ratings were not adopted. In future, after it has been established that the UNDP Evaluation Office ratings are consistent with those of the GEF Evaluation Office, they will be similarly adopted. To ensure comparability, the Office will continue to review a representative sample of terminal evaluations from these Agencies.

The Evaluation Office has conducted field verification of the achievements of a sample of completed projects since FY 2007. This year, the field verification process was combined with the country portfolio evaluations being conducted by the Office. This allows the Office to reduce the costs involved in conducting verifications and to gain from synergies with these evaluations. In the past year, achievements of the "Biodiversity and Natural Resources Management Project" (GEF ID 458; World Bank) were field verified as part of the Turkey country portfolio evaluation. So far, the achievements of 14 completed projects have been field verified. Of these 14 projects, the outcome achievements of 10 were rated in the satisfactory range via desk review, with 11 so rated based on field verification. However, the number of projects whose achievements have been field verified is not yet sufficient to allow for identification of patterns and trends.

1.2 Findings and Conclusions

Results

Conclusion 1: Outcome achievements of 91 percent of the completed projects reviewed for FY 2009 were rated in the satisfactory range. This is higher than the long-term average of 83 percent. However, because the annual figures are prone to fluctuations, this increase may not indicate a trend.

Attainment of Project Outcomes

The Evaluation Office rated the achievement of project outcomes in terms of relevance, effectiveness, and efficiency. The key findings of this assessment are as follows:

- Of the 55 projects of the FY 2009 cohort, 91 percent were rated moderately satisfactory or above (table 1.1).
- Of the total \$208 million GEF investment in the rated projects of the FY 2009 cohort, 92 percent was allocated to projects that were rated moderately satisfactory or above.
- To date, including the FY 2009 cohort, 260 projects have been rated on their outcome achievements. Of this total, the outcome achievements of 83 percent have been rated moderately satisfactory or above. Eighty-two percent of the total GEF investment in rated projects is in projects rated moderately satisfactory or above.

By Agency, within the FY 2009 cohort, 100 percent of UNEP projects were rated as having outcome achievements that were moderately satisfactory or above. The corresponding percentages for the World Bank and UNDP are 94 and 82 percent, respectively.

Sustainability of Project Outcomes

Outcome sustainability is rated based on the level of risk to sustainability across four dimensions: financial, sociopolitical, institutional and governance, and environmental. Of the 55 projects in the FY 2009 cohort, 51 were rated on outcome sustainability. The key findings of this assessment are as follows:

- The sustainability of outcomes of 71 percent (36 projects) was rated moderately likely or above (table 1.1).
- Of the four dimensions of risk to sustainability, financial and institutional risks were found to pose the greatest threat. Financial risks and institutional risks each threatened the sustainability of outcomes for 19 percent of the rated projects.
- Of the total GEF investment in rated projects of the FY 2009 cohort, 64 percent was in projects that were rated moderately likely or above in terms of the sustainability of their outcomes.

The Evaluation Office assessed the extent to which projects that were rated moderately satisfactory or above in **achievement** of outcomes were also rated moderately likely or above in **sustainability** of outcomes. The following findings pertained:

Table 1.1

Summary of Project Outcome and Sustainability Ratings

Factor	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Number of terminal evaluation reports submitted	41	66	41	62	55
Number of projects with outcome ratings	39	64	40	62	55
% rated moderately satisfactory or above in outcome ratings	82	84	73	81	91
Number of projects with sustainability of outcome ratings	39	54	39	60	51
% rated moderately likely or above in sustainability of outcome ratings	49	65	59	57	71
Number of projects rated on both outcomes and sustainability of outcomes	39	54	39	60	51
% of rated projects rated moderately satisfactory or above on outcomes and moderately likely or above on sustainability of outcomes	44	61	51	55	67

- Of the 51 rated projects, 67 percent were rated both moderately satisfactory or above in outcome achievement and moderately likely or above in sustainability of outcomes.
- In terms of GEF investment, 63 percent was invested in projects that were rated both moderately satisfactory or above in terms of outcomes and moderately likely or above in terms of sustainability.

Processes

Conclusion 2: The GEF gains from mobilization of cofinancing through efficiency gains, risk reduction, synergies, and greater flexibility in terms of the types of projects it may undertake. However, although important, the role of cofinancing is sometimes overstated.

The GEF Council views cofinancing to be an indicator of a project's sustainability, country ownership, and mainstreaming of GEF activities in those of partner institutions; and a way to mobilize additional resources for the global environment.¹ GEF Secretariat publications portray cofinancing as an indicator of the effectiveness of the GEF in mobilizing additional resources for the generation of global environmental benefits. Not surprisingly, then, the Council has shown a continued preference for a higher overall cofinancing ratio for the GEF project portfolio. A few GEF documents clearly state that the high cofinancing ratio achieved is an indicator of the GEF's "multiplier" effect in generating additional resources toward achievement of global environmental benefits (GEF 2000, p. 15; GEF 2002c, p. 6; GEF 2005, p. 13).

Although the quality of reporting on cofinancing both in project proposals and in terminal

evaluations is improving, reporting on cofinancing is often not consistent with the agreed definition of cofinancing. That definition, adopted in 2003 (GEF 2002a), assumes several key conditions. For a contribution to be considered cofinancing, it should be managed with the GEF allocation, should be part of the initial financial package, and should be essential to the achievement of GEF objectives. For many projects, the reported cofinancing does not appear to meet these conditions. Further, using the cofinancing ratio as an indicator of the adequacy of cofinancing at the GEF portfolio level is problematic, as the ratio is easily skewed by outliers.

Although the case for seeking cofinancing remains strong, the findings of the Office's inquiries on this topic indicate that the context of a given project's characteristics and the contributors of the cofinancing need to be taken into account. The key findings of the Office's assessment of the GEF approach to cofinancing are as follows:

- The cofinancing mobilized for GEF projects is often portrayed as additional resources available for addressing global environmental problems. However, even though cofinancing may bring additional resources to a *project*, this does not imply that additional resources are made available *systemically*. For example, a GEF partner with an environmental mandate may fund activities that address global environmental concerns regardless of whether the particular GEF project materialized. The review of cofinancing commitments for GEF projects approved in FY 2007 and 2008 shows that about 10 percent of the cofinancing was committed by partners that primarily focused on addressing environmental issues.
- Of 117 projects for which terminal evaluations were submitted during FY 2008 and 2009, information on whether materialized

¹ These respective factors are cited by the GEF Council in its highlights of Council discussions (1997, 1999a, 2002, 2003).

cofinancing was managed along with the GEF grant was available for 38. For these 38 projects, 43 percent of the reported materialized cofinancing of \$384 million was managed by the project management unit; 57 percent was managed by other entities.

- Of the 117 projects in the FY 2008–09 cohort, information on when the cofinancing was mobilized is available for 93 projects. For 25 percent of these 93 projects, at least some of the reported materialized cofinancing was mobilized *after* the project commenced. In many of these instances, the mobilized cofinancing (which was supposed to be an *input* to the project) was simultaneously depicted as an *outcome* of the project.
- The overall cofinancing ratio is skewed by outliers. Of the 340 projects for which terminal evaluations have been submitted since FY 2002, the GEF Agencies have reported data on materialized cofinancing for 265. The top 10 projects accounted for 55 percent of the total reported materialized cofinancing. The project with the most cofinancing—“Sichuan Gas Transmission and Distribution Rehabilitation” (GEF ID 75)—alone accounts for 26 percent of the total.
- Projects that mobilize high levels of cofinancing and have high cofinancing ratios tend to be implemented by the development banks. These projects differ from others in important characteristics such as the priorities covered, the proportion of cofinancing that supports “GEF-able” activities, and the level of integration with the GEF-supported components. This finding was discussed in detail in the Fourth Overall Performance Study (OPS4) of the GEF (GEF EO 2010, p. 145).

The cofinancing contributions made by organizations whose objectives are congruent with those of the GEF are less likely to be additional, because in

most instances the contributors would have used these resources to support activities that produce global environmental benefits. Nonetheless, any cofinancing contribution may lead to efficiency gains and a reduction in the risks the GEF would assume if it were to fund the project on its own. The latter consideration is especially important for projects that require a substantial financial commitment.

In contrast, the cofinancing contributions made by organizations whose objectives are not congruent with those of the GEF—for example, private sector organizations—is less likely to have been used for similar activities had the GEF project not materialized. The additionality of such contributions is mitigated somewhat by the fact that the projects thus supported are more likely to encompass activities that produce a greater proportion of national and local benefits than global environmental benefits. Overall, however, the additional global environmental benefits generated by such partnerships may more than compensate for their GEF funding.

The level of global environmental benefits generated by a particular project may sometimes justify the GEF’s providing financial support when other potential partners are not willing to contribute, or the cost of mobilizing their cofinancing outweighs the expected benefits. Having the flexibility to support projects with or without cofinancing and in partnership with cofinancers that pursue different objectives increases the pool of potential projects from which the GEF can choose.

The present GEF approach of assessing the feasibility of project proposals based on the adequacy of cofinancing is appropriate because it takes note of the characteristics of the proposed project. However, tracking the cofinancing ratio at the overall project portfolio level may *not* be appropriate, since the ratio is easily affected by outliers

and thus creates incentives for preferring one class of projects over the other without the justification being rooted in the additional global environmental benefits being generated.

The Evaluation Office will continue to look into this issue and develop further methodologies to identify and measure trade-offs and “win-win” situations between cofunding possibilities and the achievement and maximization of global environmental benefits.

Quality of Supervision

Conclusion 3. There has been a significant improvement in UNEP’s performance regarding the supervision provided to GEF projects. The quality of supervision provided by the World Bank and UNDP continues to be in the satisfactory range for a high percentage of projects.

The 2009 follow-up assessment on quality of supervision is based on review of a representative sample of 47 projects that were under implementation during the FY 2007–08 period. The findings of this assessment were compared with those of the pilot assessment presented in APR 2006. The key findings of this comparison are as follows:

- The percentage of projects rated moderately satisfactory or above for overall quality of supervision showed a slight increase—from 81 percent (pilot assessment) to 85 percent (follow-up assessment).
- UNEP showed a substantial improvement in performance; the percentage of UNEP-implemented projects that were rated moderately satisfactory or above in quality of supervision increased from 36 to 73 percent.
- A high percentage of World Bank– (86 percent) and UNDP-implemented (92 percent) projects were rated moderately satisfactory or above in terms of overall quality of supervision.

- The improvement in UNEP performance was secured through steps taken by the Agency in the period between the two assessments. UNEP implemented a risk-tracking system that facilitates risk identification during project preparation and tracking of these risks and mitigating actions during project implementation. It strengthened its oversight by requiring focal area team leaders to regularly monitor the follow-up given by task managers to risky projects and by appointing a staff member dedicated to monitoring project progress and supervision at the portfolio level.

UNDP addresses social issues in projects as part of its human rights–based approach to development and has created specific tools, guidance, and processes to address social issues in a comprehensive manner. The World Bank addresses these issues through social and environmental safeguards that it put into place to prevent and mitigate undue harm to people and their environment. UNEP requires a social assessment of GEF projects during preparation and an annual reporting of social risks during implementation. It also covers social issues in its institutional strategies and policy statements. However, at the time the follow-up review was conducted, UNEP was not as advanced as UNDP and the World Bank in terms of developing strategies and policy statements into specific tools, guidance, and processes.

Agency Fees

Conclusion 4: The present GEF approach to Agency fees does not take into account differences in Agency project portfolios. The approach is disadvantageous to those Agencies whose portfolios contain a larger proportion of medium-size projects and enabling activities than of full-size projects.

Currently, the GEF applies a project fee rate of 10 percent of the GEF grant to address Agency

costs; the use of a single rate ensures uniformity across the GEF partnership, is easy to implement, and is transparent. However, it does not take into account Agency cost differences across different project categories. It is generally agreed that, per dollar of GEF grant, the cost of implementing medium-size projects (MSPs) and enabling activities is, on average, higher than that for FSPs, and that different Agencies across the GEF partnership have different project mixes within their portfolios. A uniform Agency fee rate for all categories of projects therefore places those Agencies at a disadvantage that have (or are expected to have) a relatively greater proportion of MSPs and enabling activities vis-à-vis FSPs in their GEF portfolio.

Project Completion Delays

The Evaluation Office began tracking project completion delays in FY 2005. Of the 250 projects for which these data are available, 27 percent were completed after a delay of at least two years and 11 percent after a delay of three years or more. Of the projects in the FY 2009 cohort, 32 percent were completed after a delay of at least two years and 17 percent after a delay of at least three years. Thus, projects in the FY 2009 cohort tended to have greater delays in completion than predicted by the long-term distribution.

Monitoring and Evaluation

Of the FY 2009 project cohort, only 62 percent were rated moderately satisfactory or above in terms of the monitoring they received during

implementation (table 1.2). A reason for this continuing lower level of performance is because most of these projects were designed before the GEF adopted its 2006 M&E policy (GEF EO 2006).

The findings for the FY 2009 cohort are consistent with those reported in previous APRs, indicating a strong correlation between quality of M&E arrangements at entry and actual quality of monitoring during implementation. Of the completed projects from the FY 2009 cohort that were rated both on quality of monitoring during implementation and quality of M&E at entry, only 22 percent of those rated in the unsatisfactory range on quality at entry were rated in the satisfactory range during implementation. In contrast, of those rated in the satisfactory range on quality of M&E at entry, 72 percent were also rated in the satisfactory range during implementation.

Conclusion 5: Compared to the long-term average of 55 percent, the quality of 72 percent of the terminal evaluations submitted during FY 2009 was rated satisfactory or above.

Since 2004, when the Evaluation Office first began rating the quality of terminal evaluation reports, 307 such reports have been submitted. The quality of 87 percent of these reports has been rated moderately satisfactory or above, with 55 percent rated satisfactory or above. In comparison, for the FY 2009 cohort, 96 percent of the terminal evaluation reports were rated moderately satisfactory, and 72 percent achieved the higher rating standard of satisfactory or above. This finding is in line with

Table 1.2

Quality of Monitoring during Project Implementation

Factor	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Number of terminal evaluation reports submitted	42	41	66	41	62	55
Number of terminal evaluations that reported on M&E	29	32	46	33	50	39
% of projects rated moderately satisfactory or above	55	66	78	61	72	62

conclusions drawn in past APRs that the quality of terminal evaluations has been improving.

Conclusion 6: Long time lags between the completion and submission of terminal evaluation reports continue to be a concern, as does uncertainty regarding project status.

The GEF Agencies are required to submit terminal evaluation reports within 12 months of project completion.² Of the terminal evaluation reports submitted in FY 2009, 53 percent met the 12-month target; 13 percent had been submitted after a time lag of more than two years.

Agencies have a two-month window within which to submit completed terminal evaluation reports to the GEF Evaluation Office. For the FY 2009 cohort, in 45 percent of instances, Agencies met this target. Twenty-three percent of the cohort's reports were submitted after a lag of more than a year; for 5 percent, the time lag was more than two years.

Of far more concern than the lags in report completion and submission is the uncertainty that continues to exist regarding project status. Despite significant improvements in the quality of the GEF Project Management Information System (PMIS), the quality of information on project status remains weak. After projects are approved (MSPs) or endorsed (FSPs) by the GEF Chief Executive Officer (CEO), their status is generally not updated regularly and consistently. As a result, it is difficult to determine whether a project has been completed. Resolution of this concern requires the collaborative effort of the GEF Secretariat, GEF Agencies, and the GEF Evaluation Office.

² In accordance with GEF EO (2008b).

Management Action Record

The MARs keep track of the level of adoption of GEF Council decisions on the basis of evaluation findings and recommendations. This year's MAR tracks the level of adoption of 34 Council decisions, which were based on 13 GEF Evaluation Office documents, by presenting ratings from GEF management and verification of these ratings by the Evaluation Office. The Office was able to verify the adoption of 32 of these 34 decisions.

Of these 32 Council decisions, the level of adoption was rated as high for 5 (16 percent). Two of these high-rated decisions pertain to the evaluation of GEF support to biosafety and are related to the Council's request to the GEF to provide assistance to countries for implementation of the Cartagena Protocol. The adoption of the Council decision based on the midterm review of the Resource Allocation Framework (RAF) asking the GEF Secretariat to present steps to improve RAF design and indexes for climate change and biodiversity for GEF-5, and to scenarios for possible expansion of the RAF to all focal areas for GEF-5, was also rated as high. The remaining high-rated decisions related to the evaluation of incremental cost assessment—that the GEF Secretariat present new operational guidelines for the application of the incremental cost principle—and the Philippines country portfolio evaluation—that the Secretariat develop proposals for country assistance strategies leading to better coordination and programming at the country level.

The level of adoption of 16 percent (5) of the 32 decisions was rated as high, of 53 percent (17) as substantial, of 25 percent (8) as medium, and of 6 percent (2) as negligible. The decisions whose adoption was rated as negligible were as follows:

- A decision asking the GEF to revise the criteria for accessing resources from the Small Grants Programme (SGP) to maintain cost efficiency

(a decision stemming from the joint evaluation of the SGP) was rated as negligible because specific proposals had not yet been submitted to the Council.

- The adoption of the Council decision that the GEF survey countries like Syria that are in the exceptional situation of having limited access to GEF partner international financial institutions (stemming from the *GEF Annual Country Portfolio Report 2009*) was rated negligible because action on this decision has been stalled until the GEF-5 replenishment is complete and resources are made available for this task.

Since its start, the MARs have tracked the level of adoption of 92 GEF Council decisions based on 23 evaluations. Of these, 63 decisions have been graduated: 43 percent because their level of adoption was rated as high; the remainder because they ceased to be relevant, generally due to higher level GEF policy shifts that rendered the earlier decisions irrelevant in the emerging context.

Performance Matrix

The performance matrix provides a summary of the performance of the GEF Agencies and GEF Secretariat on 13 parameters, including results, processes affecting results, efficiency, M&E, and learning. Several of the parameters included in the matrix are already assessed by the Evaluation Office on an annual basis. Since performance ratings on these parameters fluctuate from year to year, running averages of two to four years—depending on the parameter—are used in the matrix (see annex D). Of the 13 parameters included in the matrix, ratings have been provided on 10 in this APR. The information provided for parameter 13, **improvement in performance**, addresses only 4 of that parameter's 12 dimensions. In the future, as data for more years become available, it will be possible to track improvements on a greater number of dimensions.

The project **outcome achievement** figures included in the matrix are based on the four-year running averages. Of the projects for which terminal evaluations have been submitted since FY 2006, the Evaluation Office rated outcome achievements (parameter 1) of 83 percent to be moderately satisfactory or above. The outcome achievements of 87 percent of both World Bank and UNEP projects have been rated in the satisfactory range. The considerable improvement in UNEP's ratings is due to the inclusion of the FY 2009 cohort, the outcome achievements of which have all been rated in the satisfactory range. Outcome achievements of 76 percent of UNDP projects were rated in the satisfactory range (see table 11.1).

The ratings for **quality of supervision and adaptive management** (parameter 2) have been updated this year because of the availability of data from the follow-up assessment on quality of supervision. The quality of supervision for a high percentage of projects implemented by UNDP and the World Bank continues to be rated in the satisfactory range. Compared to the pilot assessment (FY 2006) findings, UNEP's performance has improved.

The ratings for **realism of risk assessment** (parameter 8) were also updated on the basis of the newly available follow-up data on quality of supervision. This parameter takes into account the ratings on candor and realism in supervision reporting. Agency performance in terms of percentage of projects rated in the satisfactory range is comparable: World Bank, 80 percent; UNDP, 77 percent; and UNEP, 73 percent.

As noted above, ratings have been provided on only four dimensions for **quality of learning** (parameter 13).

- The ratings provided for improvement in quality of M&E arrangements at entry (dimension x) are the same as those presented in APR 2008.

- For improvement in quality of terminal evaluations (dimension xii), the ratings are the same as in APR 2008, even though the cohort of reports considered has changed. The quality of almost all the terminal evaluation reports submitted by UNEP and UNDP has been rated in the satisfactory range. For the World Bank, although almost all of the terminal evaluations for FSPs were rated as satisfactory, the quality of terminal evaluations for some MSPs has not been as per expectations. Therefore, the World Bank receives an overall rating of 3 on the four-point scale for this dimension.
- For improvement in the quality of supervision (dimension ii), UNDP and the World Bank both received a rating of 3, because they have maintained a good level of supervision performance. UNEP was given a rating of 4 because it has demonstrated significant improvement in its performance.
- On change in realism of risk assessment, UNDP and the World Bank each received a 3, again because they have been able to maintain their good quality of reporting. UNEP received a 4, because it has made significant improvements in the quality of its reporting as compared to the last assessment.
- Despite a higher percentage of projects implemented through UNDP and the World Bank being rated in the moderately satisfactory range for quality of supervision and adaptive management and for realism of risk assessment, these Agencies received a lower rating than UNEP on

improvement in performance on these dimensions of parameter 13.

Using improvement in performance as an indicator of learning is effective when there is a potential for high gains. However, in situations where a high level of performance has already been attained, this indicator may not be appropriate to track learning. Therefore, the indicators and parameters that are presently being used in the performance matrix need to be reassessed.

1.3 Recommendation

The GEF Evaluation Office, GEF Secretariat, and GEF Agencies should collaborate to identify steps to improve the quality of information available through the PMIS on the status of projects as they move through the project cycle.

1.4 Issues for the Future

The GEF Evaluation Office will assess the efficacy of the indicators reported on, and of the tools and instruments used for assessments, in the APR. Some of the indicators and instruments used for the APR—for example, those used to report on the quality of learning by tracking improvements in performance—need to be updated and fine-tuned.

The Office will seek ways to improve its reporting on completed projects and to improve the efficiency of the review process by devolving responsibility to the independent evaluation offices of the GEF Agencies.

2. Scope and Methodology

2.1 Scope

Each year in the APR, the Evaluation Office presents an assessment of the results of completed GEF projects, an analysis of the processes that affect accomplishment of results, and the findings of its oversight of project monitoring and evaluation activities across the portfolio. Through the APR, the Evaluation Office provides feedback to the GEF Council, other GEF institutions, and stakeholders to help improve the performance of GEF projects. Some issues are addressed in the APR annually, some biennially; others whenever a need is felt. APR 2009, in addition to its usual coverage, discusses issues pertaining to cofinancing, quality of supervision, and Agency fees in greater detail and includes the following:

- **An overview of the extent to which GEF projects are achieving their objectives (chapter 3).** This overview consists of an assessment of the extent to which the completed projects, for which terminal evaluation reports were submitted from FY 2005 to 2009, achieved expected outcomes and the risks to sustainability of the achieved outcomes. These issues are covered in the APR annually.
- **Presentation of assessments on some of the factors that affect attainment of project results (chapter 4).** This chapter reports on the extent to which cofinancing promised at the point of project endorsement has materialized and on delays in project completion. The assessment on materialization of cofinancing is based on figures reported by the respective GEF Agencies.
- **An assessment of the GEF approach to cofinancing (chapter 5).** This chapter includes an assessment of the GEF approach to cofinancing. It discusses the rationale for cofinancing, the benefits and costs associated with cofinancing, and the strengths and weaknesses of the present approach.
- **Follow-up assessment on quality of supervision (chapter 6).** This chapter presents the summary findings of the follow-up assessment on quality of supervision. The main focus of this assessment is on determining Agency performance in providing supervision to GEF projects that were under implementation during the period FY 2007–08 and comparing it with the findings of the pilot assessment that covered the period FY 2005–06.
- **An assessment of the GEF approach to Agency fees (chapter 7).** This chapter presents a historical perspective and information on how the GEF approach to Agency fees has changed and what the key drivers of this change have been. It assesses strengths and weaknesses of the present approach to Agency fees.
- **An assessment of quality of project monitoring in completed projects (chapter 8).** This chapter presents an assessment of quality of

project monitoring in completed projects for which terminal evaluation reports have been submitted to the Office since FY 2008. It also includes an analysis that explores the level of association between the quality of M&E arrangements at entry and the quality of project monitoring during implementation.

- **An assessment of the quality of terminal evaluation reports submitted by the GEF Agencies to the Evaluation Office (chapter 9).** This chapter provides information on the quality of terminal evaluation reports by Agency and an assessment of trends in the quality of terminal evaluation reports. It also includes a comparison of the ratings on outcome achievements for assessed projects given by the Evaluation Office with those provided by others, including the evaluation offices of the Implementing Agencies in the terminal evaluations and project implementation reports (PIRs) submitted by the Implementing Agencies.
- **A presentation of findings on management action records (chapter 10).** As part of this annual assessment, the Evaluation Office reviews and follows up on the implementation status of evaluation recommendations that have been accepted by management and/or the GEF Council.
- **A presentation of the performance matrix (chapter 11).** This assessment was first presented in APR 2007 and is now a regular feature of the report. It summarizes the performance of the GEF Implementing Agencies and the GEF Secretariat on key performance parameters.

2.2 Methodology

Terminal Evaluation Reviews

Terminal Evaluations Included in the Review

Chapters 3, 4, and 8 of this report are based on the review of terminal evaluations for completed

GEF projects submitted to the Evaluation Office. The reviews cover all completed FSPs and MSPs, canceled projects for which more than \$0.5 million had been utilized at the point of cancellation, and enabling activities with a GEF investment of more than \$0.5 million. Given the small number of enabling activities covered, these are reported as either FSPs or MSPs based on the level of GEF investment.

The evaluation offices of some of the Agencies have been reviewing the terminal evaluations for the completed GEF projects and have been providing performance ratings based on these reviews. For example, the World Bank's Independent Evaluation Group reviews the terminal evaluations for FSPs, and the Evaluation Office of UNEP does so for both FSPs and MSPs. The GEF Evaluation Office has compared its ratings with those provided by the evaluation offices of these Agencies and has found that, generally, these tend to be in agreement (GEF EO 2009a). Beginning this year, the GEF Evaluation Office is accepting the outcome ratings given by the UNEP Evaluation Office and the IEG, based on the desk reviews conducted by them; in some cases, the Office reviews the terminal evaluations on a random sample basis to ensure that the ratings by the Agency evaluation offices continue to be reliable. For APR 2009, roughly half of the terminal evaluations that were reviewed by the World Bank and UNEP evaluation offices were selected at random by the GEF Evaluation Office for review. Of the 55 projects for which terminal evaluations were submitted, the ratings provided by the evaluation offices of the Agencies were accepted for 12 projects. These include seven UNEP projects and five World Bank projects. The remaining terminal evaluations were reviewed by the GEF Evaluation Office. This approach allows the Office to reduce duplication of effort and to ensure that the ratings provided by the evaluation offices of the Agencies

are consistent with those it provides. The UNDP Evaluation Office has started conducting desk verification of the achievements of the completed GEF projects in its portfolio. However, since the GEF Evaluation Office has not tracked the ratings provided by the UNDP Evaluation Office in previous years, they have not been adopted for this APR. The Office will consider accepting the ratings given by the evaluation offices of other Agencies after it has tracked the consistency of their ratings with its own for a sufficient amount of projects and time.

The terminal evaluations of the projects for which outcome ratings provided by the evaluation offices of the respective Agencies were accepted were not reviewed by the GEF Evaluation Office. Whenever the Agency evaluation offices had adopted an approach consistent with that of the GEF Evaluation Office for providing ratings on other performance parameters such as sustainability, quality of M&E, and quality of terminal evaluation report, these ratings were also adopted.

Ensuring Reliability and Timeliness of Terminal Evaluation Reports

The project terminal evaluation reports submitted by the GEF Agencies to the Evaluation Office form the core information source for much of the APR. Ensuring the reliability of these reports is therefore critical. The Evaluation Office seeks to assess and strengthen this reliability in several ways, as described below.

The Evaluation Office reviews terminal evaluation reports to determine the extent to which they address the objectives and outcomes set forth in the project document, to evaluate their internal consistency, and to verify that ratings are properly substantiated.

The reports are reviewed by Evaluation Office staff using a set of detailed guidelines to ensure

that uniform criteria are applied (see annex A for these guidelines). When deemed appropriate, a reviewer may propose to upgrade or downgrade the project ratings presented in a terminal evaluation report.

A draft terminal evaluation review report is also examined by a peer reviewer with substantial experience in assessing terminal evaluations. The peer reviewer provides feedback on the report, which is incorporated by the primary reviewer in subsequent versions.

When projects are downgraded below moderately satisfactory (for outcomes), a senior evaluation officer in the GEF Evaluation Office also examines the review to ensure that the proposed ratings are justified. The reviews are then shared with the Agencies, and, after their feedback is taken into consideration, the reviews are finalized.

If a terminal evaluation report provides insufficient information to make an assessment or to verify the Agency ratings on outcomes, sustainability, or quality of project M&E systems, the Evaluation Office classifies the corresponding project as unable to assess and excludes it from any further analysis on the respective dimension.

The most pervasive limitation of this review process is that, ultimately, it is only based on a desk review of information provided by the terminal evaluation reports and other relevant documents. To address this weakness, the Evaluation Office conducts field verification of the achievements of a representative sample of completed FSPs. In all, 14 verifications have been conducted so far. The Evaluation Office has combined the field verification effort with the country portfolio evaluations being conducted by it. This allows the Office to benefit from the vast pool of information that is collected as part of the country portfolio evaluation and reduce costs. The trade-off involved

is that, for any given year, the number and geographic scope of the projects covered will be limited to the countries where such evaluations are being conducted. However, over the course of a replenishment period, this constraint will be mitigated because a substantial number of countries would have been covered.

Another way to address the reliability concerns pertaining to terminal evaluation reports is to work with the GEF Agencies to more fully engage their evaluation offices in the process and, when necessary, to strengthen their independence. Presently, the World Bank's terminal evaluation process for FSPs meets most of the concerns of the GEF Evaluation Office. The Bank's IEG conducts desk reviews of all the terminal evaluation reports produced by the management for FSPs and conducts field verification for a sample of these reports. When available, these field verifications are accepted by the Evaluation Office. The terminal evaluations for the World Bank-implemented MSPs are not reviewed by the IEG.

In FY 2006, the UNEP Evaluation Office began providing ratings and commentary on the quality of the terminal evaluation reports for the completed GEF projects implemented by UNEP. During FY 2007, it increased the scope of its commentaries by assessing project outcomes, sustainability of outcomes, and implementation of M&E based on the evidence provided in the terminal evaluation reports. The ratings provided by the UNEP Evaluation Office have been found to be consistent with those provided by the GEF Evaluation Office.

During FY 2007, the UNDP Evaluation Office began to assess the quality of terminal evaluations for some of its completed GEF projects. From FY 2009, the UNDP Evaluation Office has increased the scope of its reviews and has started reviewing project performance in terms of

outcomes, sustainability of outcomes, and implementation of M&E, and has begun to provide ratings on these parameters.

This year, as discussed earlier, the GEF Evaluation Office has started accepting the Agency evaluation office ratings for some categories of projects. At the same time, the Evaluation Office will continue to review the terminal evaluation reports and verify their ratings for the remaining projects on a random sampling basis.

Although the timeliness of Agencies in submitting terminal evaluations has improved over the past couple of years, a considerable level of uncertainty remains with regard to whether terminal evaluations are being completed and submitted to the GEF Evaluation Office in a timely manner. The Office could potentially be more proactive in following up with the Agencies on terminal evaluation submission. However, in the absence of accurate information on projects that have been completed in the preceding fiscal years, it is constrained in tracking terminal evaluation completions and submissions because it does not know the specific projects for which it should expect terminal evaluations. The Office intends to work with the Secretariat and Agencies to identify practical ways to address this concern.

Data Limitations

The Evaluation Office uses statistical tests to assess differences among groups of projects, and the findings reported here are significant at the 90 percent confidence level. Regression analysis was used to assess the magnitude and direction of change associated with different variables. During the past four years, there has been an improvement in the overall quality of information provided in terminal evaluation reports. However, information on financial issues, including materialization of cofinancing, and M&E-related issues remains

below expectations. When sufficient information on a performance parameter for a project has not been provided in its terminal evaluation report, that project has not been included in the portfolio-level assessment for that parameter.

Ratings based on terminal evaluation reviews reflect performance of actions that are now long past, limiting the extent to which information gathered from analysis of these data are useful in making real-time corrections in operations. Notwithstanding this limitation, this assessment provides a long-term perspective on the extent to which GEF projects are performing vis-à-vis expectations.

Outcome achievements are generally assessed through comparison of actual achievements with the commitments made at inception. While this allows an assessment of the extent to which a project meets the ex ante expectations, it does not facilitate direct comparison across projects and over time because the deliverables promised for projects that are otherwise comparable may be different.

Cofinancing

The chapter on cofinancing is based on synthesis and triangulation of information gathered from a variety of sources, including available literature, analysis of the GEF PMIS database, appraisal documents of projects approved in FY 2007 and 2008, review of terminal evaluations of the FY 2008–09 cohort, and information collected through field verification. The chapter explores how the term “cofinancing” has been defined by the GEF, its portrayal within the GEF, the importance of cofinancing for the GEF partnership, and potential ways in which the present cofinancing approach could be refined.

Quality of Supervision

This assessment is a follow-up to the pilot assessment on quality of supervision presented in APR

2006. For the follow-up assessment, 47 projects that were under implementation during FY 2007 and 2008 were sampled for review using a stratified random sampling approach. Despite some minor changes in the assessment approach, the overall approach used for the follow-up review is consistent with that used for the pilot assessment. As was the case for the pilot review, the following criteria were used to assess quality of supervision for the sampled projects:

- Focus on results
- Supervision inputs and processes
- Candor and quality of project performance reporting

Details on the methodological approach adopted for this assessment are provided in annex C.

Agency Fees

The findings presented on Agency fees in this APR are based on a review of the Council decisions that pertain to Agency fees, the relevant guidance provided by the GEF Secretariat, and the GEF business plans that have been presented to the Council since the GEF’s inception. Information was also gathered from Agency and Secretariat staff through interviews conducted for assessments on quality of supervision and mobilization and management of GEF resources undertaken as part of OPS4. To estimate the total Agency fees paid by the GEF during these periods, support to Agencies through both the corporate budget and project fees was taken into account. For the corporate budget, where actual utilization figures were not available, budgeted figures were used. Data on GEF grants and project fees for approved projects were downloaded from the PMIS. Details on the fee paid to Agencies across different periods is presented in annex E.

MARs Assessment

Management action records facilitate review and follow-up on the implementation status of evaluation recommendations that have been accepted by management (that is, the GEF Secretariat and/or the GEF Agencies). For each MAR, the Evaluation Office completes the columns pertaining to recommendations, management responses, and Council decisions. The management is then invited to provide a self-rating of the level of adoption of Council decisions and add any comments as necessary. After the management's response is included in a MAR, the Evaluation Office verifies actual adoption and provides its own ratings, with comments, for presentation to the Council.

Performance Matrix

The performance matrix, which was presented for the first time in APR 2007, provides a summary of the performance of the three main GEF Implementing Agencies and the GEF Secretariat on relevant parameters. Performance on most of these parameters, such as project outcomes, implementation completion delays, materialization of cofinancing, quality of M&E during project implementation, and quality of project terminal

evaluations, is already being assessed annually by the GEF Evaluation Office. Performance on other parameters, such as quality of supervision and adaptive management, realism of risk assessment, and quality of project M&E arrangements at entry, is assessed and updated every two or three years through special appraisals. Agency performance on three of the parameters included in the performance matrix has not yet been rated. Availability of findings of the follow-up assessment on quality of supervision has enabled the Evaluation Office to assess improvement in performance (parameter 13: quality of learning) on two more dimensions.

Review of Findings

The preliminary findings of this report were presented to and discussed with the GEF Secretariat and GEF Agencies during an inter-Agency meeting held in Washington, D.C., on April 13, 2010. Individual reviews of project terminal evaluation reports have been shared with the Agencies and the GEF Secretariat for comment; their feedback has been incorporated in the final report. A draft of this document was shared with the Secretariat and Agencies, and their comments and suggestions addressed in this report.

3. Outcomes and Sustainability

This chapter discusses verified ratings on outcomes and sustainability for 265 projects for which terminal evaluation reports have been submitted from FY 2005 to 2009. These include 143 FSPs, 120 MSPs, and 2 enabling activities. Given the small number of enabling activities for which terminal evaluations are required, they are reported as either FSPs or MSPs based on the level of GEF funding. Altogether, the GEF had invested about \$1.195 billion in these 265 projects.

Of the 265 projects, terminal evaluations had been submitted for 55 during FY 2009—28 FSPs, 26 MSPs, and 1 enabling activity. The GEF had invested a total of \$208 million in these 55 projects.

3.1 Rating Approach

Of the 55 projects for which terminal evaluations were submitted during FY 2009, the GEF Evaluation Office accepted the outcome ratings provided by the evaluation offices of the respective Agencies for 12 projects. For the remaining 43 projects, the Office rated project outcomes based on level of achievement of project objectives and expected outcomes in terms of **relevance** on a two-point scale and **effectiveness** and **efficiency** on a six-point scale. The rating approach followed is identical to that for APR 2008.

The assessment on relevance primarily focuses on determining whether the anticipated outcomes are relevant to the GEF mandate for generating

global environmental benefits. Only **satisfactory** or **unsatisfactory** ratings were provided on relevance. Relevance ratings are considered critical; if the relevance of outcomes rating is unsatisfactory, the overall outcome rating cannot be higher than unsatisfactory. Among the other criteria, **effectiveness** is critical; the overall rating on achievement of outcomes cannot be higher than the rating on effectiveness.

During project implementation, the results framework of some projects was modified. This poses a challenge because assessing actual outcomes for all projects based on original outcome expectations may discourage adaptive management. To address this challenge, for projects where modifications and improvements were made in project objectives, outcomes, and outputs without a down-scaling of their overall scope, the Office assessed outcome achievements based on the revised results framework. In instances where the scope of the project objectives, outcomes, and outputs was down-scaled, the expected outcomes and/or original objectives of the project were used as a yardstick for performance assessment.

The GEF Evaluation Office rated sustainability of outcomes based on an assessment of four key risk dimensions: financial, sociopolitical, institutional framework and governance, and environmental. Based on the evidence presented in

the terminal evaluation reports, **risks to sustainability of outcomes** were assessed on each of these dimensions. All risk dimensions were regarded as critical; overall ratings cannot be higher than the rating for a dimension that had been rated the lowest.

Among the 265 terminal evaluations reviewed, 5 (2 percent) did not provide sufficient information to allow the Evaluation Office to rate outcome achievements. For 22 (8 percent), the risks to sustainability of outcomes were not rated. These include four World Bank projects for which the GEF Evaluation Office has adopted the outcome ratings provided by the IEG but did not adopt their sustainability ratings because the approach used by the IEG was very different from that adopted by the Evaluation Office.

3.2 Outcomes

Ninety-one percent of the projects of the FY 2009 cohort have been rated moderately satisfactory or above in terms of their outcome achievements. This percentage is significantly higher than the long-term average of 83 percent (table 3.1).

However, since the percentage of projects with outcomes rated in the satisfactory range differs considerably from year to year, this improved performance does not indicate a trend.

The GEF has invested \$1.191 billion in projects that have received ratings on their outcome achievements. Of this investment, 82 percent is invested in projects whose outcome achievements were rated moderately satisfactory or above. For the FY 2009 cohort, of the total GEF investment, 92 percent was invested in projects whose outcome achievements were rated moderately satisfactory or above (table 3.2). Chapter 4 presents a detailed discussion on drivers of project outcome achievements.

Table 3.3 provides information on the outcome ratings of different categories of GEF projects based on Implementing Agency, executing agency type, focal area, size, geographic scope and region, and country grouping for all projects rated since FY 2005. Outcomes of 80 percent of the FSPs and 85 percent of the MSPs were rated moderately satisfactory or above. Compared to other categories, a lower percentage of national projects

Table 3.1

Distribution of GEF Projects by Outcome Rating

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Total
Outcome rating	Percentage distribution					
Highly satisfactory	3	6	3	5	4	4
Satisfactory	54	44	35	52	56	48
Moderately satisfactory	26	34	35	24	31	30
Moderately satisfactory or above	82	84	73	81	91	83
Moderately unsatisfactory	10	14	8	13	9	11
Unsatisfactory	8	2	18	5	0	5
Highly unsatisfactory	0	0	3	2	0	1
Moderately unsatisfactory or below	18	16	27	19	9	17
Factor	Number					
Terminal evaluation reports submitted	41	66	41	62	55	265
Projects rated on outcomes	39	64	40	62	55	260

Table 3.2**Distribution of GEF Investment by Project Outcome Rating**

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Total
Outcome rating	Percentage distribution					
Highly satisfactory	0	6	5	8	3	4
Satisfactory	64	30	18	55	56	46
Moderately satisfactory	20	53	46	12	33	32
Moderately satisfactory or above	84	88	69	74	92	82
Moderately unsatisfactory	15	11	14	13	8	12
Unsatisfactory	1	1	12	10	0	5
Highly unsatisfactory	0	0	5	3	0	1
Moderately unsatisfactory or below	16	12	31	26	8	18
Investment	Million \$					
Total GEF investment in reviewed projects	258.3	255.8	199.3	275.3	207.8	1,196.5
Total GEF investment in rated projects	255.3	254.3	198.3	275.3	207.8	1,191.0

implemented in “fragile” countries are rated moderately satisfactory or above.

On a six-point scale, however, differences among various categories are more pronounced. The outcome ratings of World Bank–implemented projects tend to be higher than those of other Agencies, even after controlling for variables such as project size, geographic scope, and focal area. Projects implemented in Africa and national projects implemented in fragile countries tend to have lower outcome ratings.

3.3 Sustainability of Project Outcomes

The rating on sustainability of project outcomes assesses the likelihood of continued benefits after the GEF project ends. To assess outcome sustainability, the criticality and probability of risks affecting continuation of benefits at the point of project completion are taken into account. Of the 265 terminal evaluation reports submitted from FY 2005 to 2009, outcome sustainability ratings have been provided for 243 (92 percent) of the projects. For the FY 2009 cohort of 55 projects,

outcome sustainability ratings have been provided for 51 projects (93 percent).¹ Of the 243 projects rated on outcome sustainability, 60 percent were rated moderately likely or above. Of the projects in the FY 2009 cohort that were rated, 71 percent received a rating of moderately likely or above in terms of outcome sustainability.

When both the outcome and sustainability ratings are taken into account, 56 percent of the rated projects were rated both moderately satisfactory or above in terms of outcome achievements and moderately likely or above in terms of sustainability. Of the FY 2009 cohort, 67 percent of projects had been so rated.

¹ Most of these (for 43 projects) are GEF Evaluation Office ratings. Seven projects (the same seven for which the GEF Evaluation Office adopted the Agency outcome ratings) were rated by the UNEP Evaluation Office. One was rated by the IEG. Note that this was one of the five projects for which the IEG’s outcome ratings were adopted; the sustainability ratings for these four projects were not adopted because of differences in the approaches adopted by the GEF Evaluation Office and the IEG.

Table 3.3**Outcome Performance, by Project Category**

Category		Number reviewed	Number rated	% rated moderately satisfactory or above
All projects		265	260	83
GEF Agency	World Bank	112	110	86
	UNDP	107	105	79
	UNEP	45	44	82
Executing agency	Government or parastatal agency	137	135	82
	Nongovernmental organization or foundation	59	58	83
	Bilateral or multilateral agency	53	51	80
	Other, including private sector organization	16	16	94
Focal area	Biodiversity	140	139	83
	Climate change	67	65	83
	International waters	34	34	85
	Other	24	22	77
Size	FSP	145	143	80
	MSP	120	117	85
Scope	National (single-country project)	186	183	84
	Regional or global	79	77	81
Location	Africa	55	54	76
	Asia	65	63	84
	Europe and Central Asia	46	46	80
	Latin America and the Caribbean	64	63	86
Country group^a	Fragile state	12	12	58
	Small island developing state	16	16	75
	Least developed country	29	29	76
	Landlocked	28	28	86

a. For regional and global projects, includes only those projects in which all participating countries were members of the relevant group.

In terms of the GEF investment in rated projects, 61 percent of the investment was in projects whose sustainability of outcomes were rated moderately likely or above; 56 percent was in projects that were rated both moderately satisfactory or above in terms of outcome achievements and moderately likely or above in terms of sustainability (table 3.4). For the FY 2009 cohort, these figures were 64 percent and 63 percent, respectively.

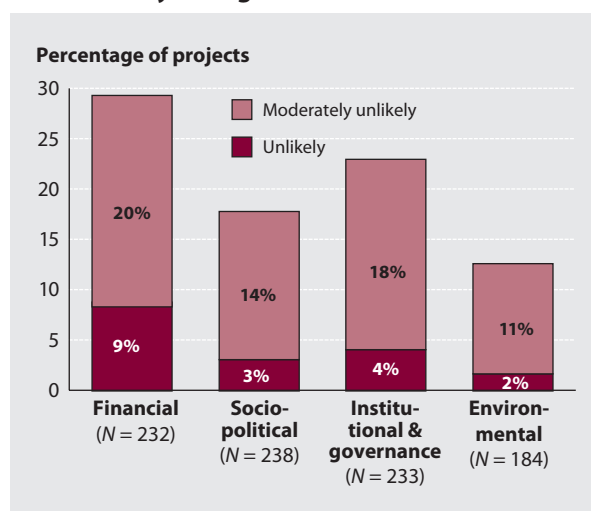
Based on the terminal evaluations reviewed so far, among the various categories of risks, financial risks pose a threat to the sustainability of outcomes for the largest proportion of projects: the outcomes of 9 percent of projects were unlikely, and of an additional 20 percent were moderately unlikely, to be sustained due to financial risks. The outcome achievements of 22 percent of the projects were unlikely or moderately unlikely to be sustained due to institutional and governance

Table 3.4**GEF Investment in Projects with Outcomes/Sustainability Rated as Moderately Satisfactory/Moderately Likely or Above**

Factor	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Total
% of projects with sustainability of outcomes rated moderately likely or above	49	65	59	57	71	60
% of projects with outcomes rated moderately satisfactory or above and with sustainability of outcomes rated moderately likely or above	44	61	51	55	67	56
% of GEF investment in projects with sustainability of outcomes rated moderately likely or above	65	60	55	58	64	61
% of GEF investment in projects with outcomes rated moderately satisfactory or above and with sustainability of outcomes rated moderately likely or above	60	56	44	56	63	56

risks, and for 17 percent due to sociopolitical risks (figure 3.1).

For the FY 2009 cohort, of the four risks to sustainability dimensions, financial risks and institutional risks were more frequently found to pose a threat to outcome sustainability. Separately, financial risks and institutional risks posed a threat to the sustainability of outcomes for 19 percent of projects.

Figure 3.1**Perceived Risks Underlying Projects Receiving Low Sustainability Ratings**

4. Factors Affecting Attainment of Project Results

Project outcomes may be affected by factors such as project design, quality of project implementation and execution, the operational context in which projects are implemented and executed, and exogenous factors beyond the control of project management. Given the wide range of variables that may affect project outcomes and their interactions, it is difficult to isolate variables and determine their specific effects on a project's results. However, associations among variables and results can be determined. The Evaluation Office has been reporting on some of these variables such as cofinancing and delays in project completion annually. This chapter includes a brief section on materialization of cofinancing reported by the Agencies. A more detailed discussion on the GEF approach to cofinancing is presented in the next chapter. In addition, chapters 6 and 7—on quality of supervision and Agency fees, respectively—cover factors that may also affect attainment of project results.

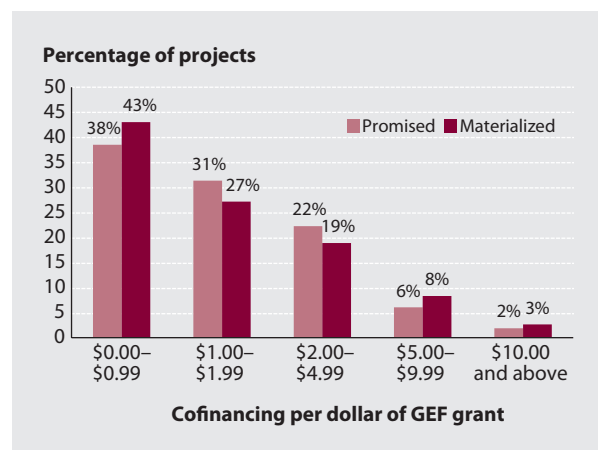
4.1 Materialization of Cofinancing

The Office reports on materialization of cofinancing in completed projects every year based on the information presented in the terminal evaluation reports and communicated by the Agencies through other project reports. However, many key issues such as the level of global environmental benefits that accrue from cofinancing, the

processes through which these benefits accrue, and the costs incurred by the GEF partnership in mobilizing cofinancing, had not been assessed in detail so far. In this year's APR, these issues are discussed in chapter 5.

The figures presented here are based on cofinancing materialization data reported by the Agencies. The level of cofinancing differs considerably by project. Since Office reporting focuses on averages, the overall figures for the GEF portfolio tend to be skewed by a few projects with a high level of cofinancing. In this APR, although the Office continues to report the average figures for the portfolio, the focus has shifted to reporting frequency distribution of the levels of cofinancing achievements because findings on this indicator are less likely to be skewed by outliers. The analysis presented in this section is based on the information available on 340 completed projects for which terminal evaluations were submitted since FY 2002. Of these, information on cofinancing has been reported by the Agencies for 265 projects.

Figure 4.1 shows the distribution of projects based on the ratio of cofinancing promised and reported to have materialized vis-à-vis the approved GEF grant. For 70 percent of the projects, less than \$2.00 of cofinancing was promised per dollar of GEF grant. Cofinancing of \$5.00 or more per GEF dollar was promised for 8 percent of the projects. The distribution of projects based on the ratio of

Figure 4.1**Distribution of Projects by Cofinancing Ratio**

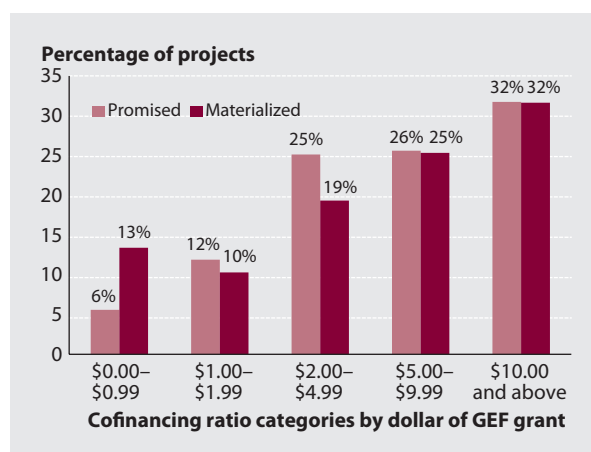
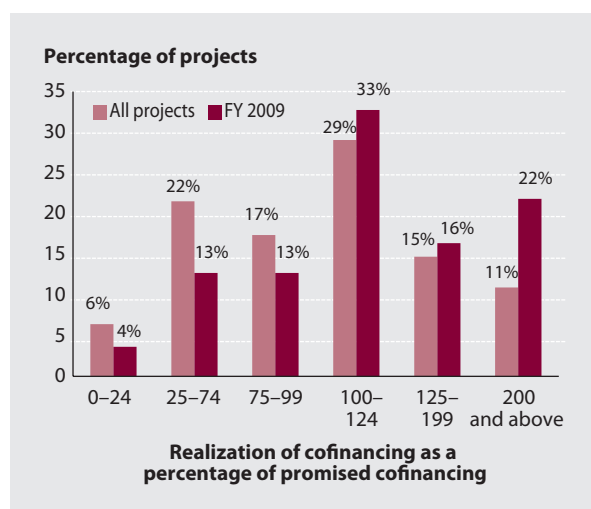
Note: $N = 265$.

materialized cofinancing vis-à-vis approved GEF grant shows a similar pattern.

For the FY 2009 cohort, cofinancing of less than \$2.00 per dollar of GEF grant had been promised for 67 percent of projects; for 7 percent, \$5.00 or more had been promised. In comparison, Agencies reported that for 56 percent the ratio of materialized cofinancing vis-à-vis the GEF grant was less than \$2.00; for 18 percent, it was \$5.00 or more.

Figure 4.2 is based on figure 4.1. Instead of number of projects, it weighs each of the categories based on the distribution of cofinancing promised or materialized by the Agencies for projects in that category. The two graphs together clearly show that even though there are relatively fewer projects with cofinancing of \$5.00 or more, these do account for the bulk of cofinancing.

Figure 4.3 presents a comparison of the frequency distribution of the long-term average and FY 2009 cohort on the level of realization of cofinancing reported by the Agencies versus the cofinancing promised at inception. Of the 265 projects for which data are available,

Figure 4.2**Total Cofinancing for Projects in Different Cofinancing Ratio Categories****Figure 4.3****Distribution of Projects Based on Reported Level of Realization of Cofinancing**

28 percent were reported to have realized less than 75 percent of the promised cofinancing. For the FY 2009 cohort, this figure was 16 percent. Similarly, compared to the long-term average, a higher percentage of the FY 2009 projects was reported to have met or exceeded the level of expected cofinancing.

Table 4.1 presents key statistics on materialization of cofinancing by Agency during different terminal evaluation submission periods. The projects of the FY 2009 cohort in general had a greater level of materialization of cofinancing vis-à-vis other cohorts. For FY 2009, on average the projects implemented by UNDP and UNEP are reported to have achieved a considerably higher than expected level of cofinancing. For UNDP, the increased level of materialization is mainly driven by a regional project—“Towards a Convention and Action Programme for the Protection of the Caspian Sea Environment” (GEF ID 1618)—for which cofinancing of \$25.8 million had been promised and cofinancing of \$110.3 million has been reported to have materialized. For UNEP, this is primarily driven by the “Joint Geophysical Imaging Methodology for Geothermal Reservoir Assessment” project (GEF ID 1780, Kenya), for which cofinancing of \$1.8 million had been promised and materialized cofinancing of \$5.0 million has been reported.

4.2 Delays in Project Completion

The Evaluation Office tracks the difference between the expected completion date at project start and the actual operational completion of the project to determine the extent to which projects supported by the GEF are completed in a timely manner. Data on this indicator are available for projects that have been submitted since FY 2005. Important causes of delay were detailed in APR 2007 and therefore are not discussed here.

In earlier APRs, the central tendencies in completion delays were reported primarily in terms of averages. In this year’s APR, the reporting focuses on frequency distributions to facilitate easy assessment of the extent of the delays. Figure 4.4 presents a distribution of MSPs by time milestone categories. It shows that implementation of 10 percent of MSPs was completed after a delay of more than two years. Compared to other Agencies, a smaller percentage of the MSPs implemented by the World Bank experienced completion delays.

Table 4.1

Materialization of Cofinancing by Agency

FY of report submission	Factor	UNDP	UNEP	WB	All Agencies
Pre-OPS4 period 2002–04	Number of projects with cofinancing data available	11	6	31	48
	Promised cofinancing per \$1.00 of approved GEF grant (\$)	3.6	1.1	6.5	5.9
	Reported materialized cofinancing per \$1.00 of approved GEF grant (\$)	2.8	1.0	6.0	5.4
	Materialized cofinancing per \$1.00 of promised cofinancing (%)	78	87	93	92
OPS4 period 2005–08	Number of projects with cofinancing data available	59	23	80	162
	Promised cofinancing per \$1.00 of approved GEF grant (\$)	1.6	1.5	2.4	2.1
	Reported materialized cofinancing per \$1.00 of approved GEF grant (\$)	1.6	1.5	2.3	2.0
	Materialized cofinancing per \$1.00 of promised cofinancing (%)	99	101	98	98
FY 2009	Number of projects with cofinancing data available	22	15	17	55 ^a
	Promised cofinancing per \$1.00 of approved GEF grant (\$)	2.9	0.9	2.3	2.3
	Reported materialized cofinancing per \$1.00 of approved GEF grant (\$)	4.8	1.2	2.3	3.0
	Materialized cofinancing per \$1.00 of promised cofinancing (%)	163	141	101	132

Note: WB = World Bank. Joint projects have been attributed to the lead GEF Agency.

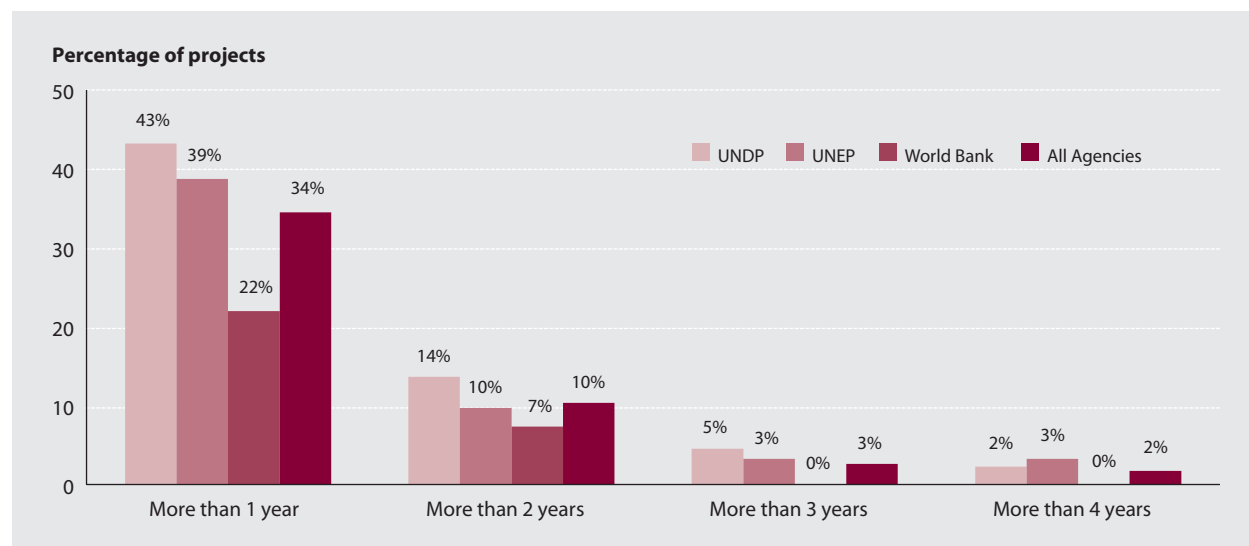
a. This includes a project implemented by the United Nations Industrial Development Organization.

Figure 4.5 shows a similar distribution of FSPs in terms of completion delays. Overall, a larger percentage of FSPs are completed with delays and experience longer delays: more than 32 percent of FSPs are completed with a delay of more than two years. This is understandable, as FSPs are

generally expected to be under implementation for a longer period of time and are more complex in terms of their project design. The delay pattern across Agencies is quite similar to that for MSPs. Relatively fewer FSPs implemented by the World Bank experienced completion delays.

Figure 4.4

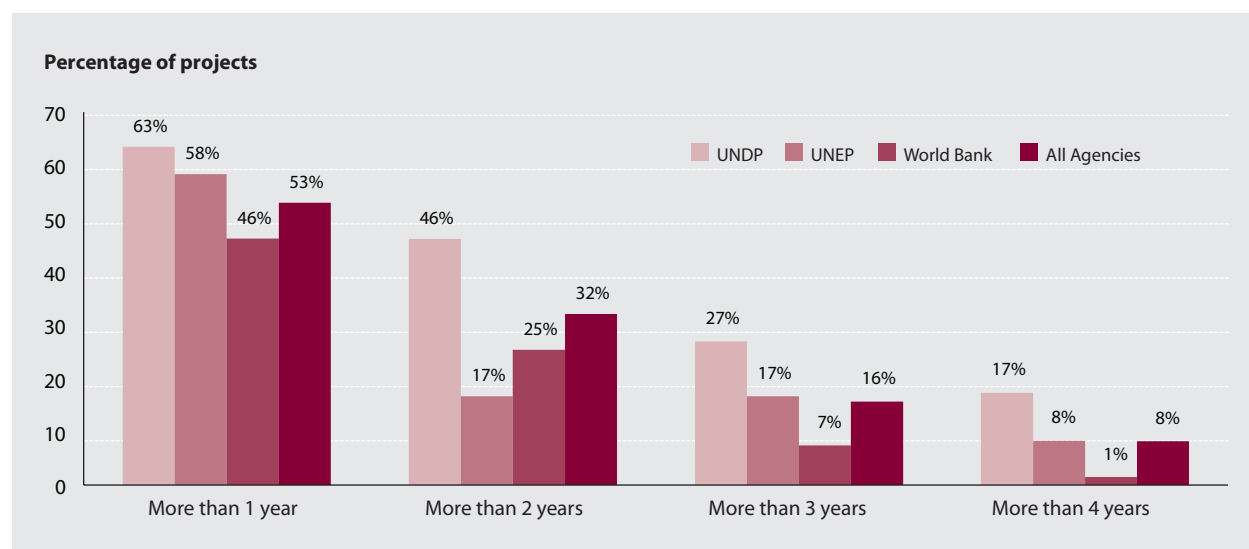
Percentage of MSPs Not Yet Completed at Various Points in Time



Note: $N = 116$.

Figure 4.5

Percentage of FSPs Not Yet Completed at Various Points in Time



Note: $N = 134$.

5. GEF Approach to Cofinancing

The GEF Council has, on several occasions, articulated the importance of cofinancing for achieving the GEF's objectives (GEF Council 1997, 2002, 2003), and the Secretariat has portrayed it as an indicator of the GEF's multiplier effect in generating additional resources toward the achievement of global environmental benefits (GEF 2000, p. 15; GEF 2002c, p. 6; GEF 2005, p. 13). However, the evidence to support these conclusions has not yet been presented, and most of the benefits ascribed to cofinancing are assumed to be self-evident.

OPS4 assessed the GEF approach to cofinancing, concluding that

the GEF benefits from mobilization of cofinancing through efficiency gains, risk reduction, synergies of collaboration with complementary partners, and a greater number of options to determine an optimal project mix. The role of cofinancing to gain additional global environmental benefits is important, but sometimes overstated, especially in large investment projects (GEF EO 2010, p. 142).

It recommends that the GEF be realistic in its portrayal of the importance of cofinancing and that it develop transparent rules for cofinancing requirements that distinguish among categories of projects (GEF EO 2010, p. 143). The analysis presented in this chapter supports the conclusions presented in both OPS4 and *Global Environment Facility: Independent Evaluation of the Pilot Phase* (UNDP, UNEP, and World Bank 1994).

This chapter discusses how cofinancing is defined by the GEF partnership and then assesses how Agencies report on it. It assesses whether the manner in which cofinancing as portrayed within the GEF partnership is supported by evidence. Based on information gathered from various sources, it presents a rationale for cofinancing.

5.1 Methodology

This chapter is based on synthesis and triangulation of information gathered from a variety of sources including the following.

- **Literature** reviewed includes external publications such as peer-reviewed articles and Web-based public information provided by other organizations; GEF documents, including relevant Council documents prepared by the GEF Secretariat¹ and the GEF Evaluation Office;² relevant discussions of and decisions by

¹ These include GEF Council documents GEF/C.2/6 (1994), GEF/C.7/Inf.5 (1996), GEF/C.14/5 (1999), and GEF/C.31/12 (2007).

² These include the "Evaluation of Incremental Cost Assessment" (2006); the country portfolio evaluations for Costa Rica (2006), Samoa (2007), the Philippines (2007), Cameroon (2007), Benin (2007), Madagascar (2007), South Africa (2007), Egypt (2009), and Syria (2009); and the APRs for 2005, 2006, 2007, and 2008.

the Council; and the GEF overall performance study (OPS) reports³

- Review of **terminal evaluations** submitted to the Evaluation Office during FY 2008 and 2009 to assess the extent to which promised cofinancing materializes and the factors that may affect materialization
- Desk review of the **documents for 20 GEF projects**—each with a promised cofinancing of more than \$240 million and a cofinancing ratio of at least \$7.00 per dollar of GEF grant—to assess whether these projects differ from other GEF projects in characteristics other than cofinancing
- Review of the **project documents of 173 projects** approved in GEF-4 during the period FY 2007–08 to determine sources of promised cofinancing and information on the activities that will be undertaken with the cofinancing contributions

Although the information available on cofinancing both at entry and at project completion is improving, there are several information gaps constraining the types of analysis that can be carried out.

5.2 Defining Cofinancing

Although promised cofinancing has been reported on in project appraisal documents since the GEF pilot phase, inconsistencies exist in terms of what has been reported as cofinancing. OPS2 called for development of “a clear definition of cofinancing” to facilitate more consistent recording and reporting (GEF 2002b, p. 69). In April 2003, the GEF Council reviewed a paper on cofinancing (GEF 2002a), and its definition of the term was

adopted. According to this definition, cofinancing comprises

resources committed by the GEF agency itself or by other non-GEF sources that will be managed with the GEF allocation as part of the initial financing package for the GEF project and without which the GEF objectives could not be met.

Thus, for a contribution to be regarded as cofinancing, it should be managed with the GEF allocation, should be part of the initial financial package, and should be essential to the achievement of GEF objectives. The paper distinguishes cofinancing from other contributions such as related finances not managed along with the GEF allocation (associated financing) and resources mobilized as a result of the project after implementation start and not included in the initial financial package (leveraged financing).

The definition of cofinancing used for GEF projects is more restrictive than the definitions used by other organizations. For example, the definition accepted by the Organisation for Economic Co-operation and Development’s Development Assistance Committee allows parallel financing to be considered as cofinancing. Further, while other organizations allow the resources contributed by partners for broad development-related activities to be considered as cofinancing, within the GEF project framework such contributions also need to be essential for achievement of GEF objectives.

5.3 Council Discussions on Cofinancing

The GEF Council has, on several occasions, articulated the importance of cofinancing as “a key principle underlying GEF’s success in its efforts to have a significant positive impact on the global environment” and has emphasized its importance by acknowledging that

³ These include UNDP, UNEP, World Bank (1994) as well as the four OPS reports of 1998, 2002, 2005, and 2010.

“with limited financial resources, increased capacity and a growing demand for assistance, it is essential for the GEF to mobilize additional resources for the global environment” (GEF Council 2002). The Council views cofinancing to be an indicator of a project’s sustainability, country ownership, and the mainstreaming of GEF activities in those of partner institutions.⁴ On several occasions, the Council has asked the GEF Secretariat to examine opportunities to seek more cofinancing (GEF Council 1996a, 1996b, 2002). On a few instances when achievement of a higher cofinancing ratio (cofinancing mobilized per dollar of GEF grant) for the overall GEF portfolio has been reported, the Council has expressed its appreciation (GEF Council 2006). Conversely, on several other occasions when a lower ratio has been reported, the Council has expressed its concern (GEF Council 1999b, 2002, 2008) and requested explanations for lower performance (GEF Council 2006, 2008). Overall, the Council has shown its preference for a higher overall cofinancing ratio for GEF projects.

While the Council is unanimous in preferring a higher level of cofinancing for GEF projects, there have been disagreements regarding the mechanisms through which higher cofinancing should be ensured and on the degree of insistence on higher cofinancing for all GEF projects. While some Council members have supported establishment of minimum cofinancing levels or ratios, others have favored flexibility in cofinancing requirements along with incentives for mobilization of cofinancing (GEF Council 2002).

⁴ These respective factors are cited by the GEF Council in its highlights of Council discussions (1997, 1999a, 2003).

5.4 Portrayal of Cofinancing

GEF Secretariat publications portray cofinancing as an indicator of the effectiveness of the GEF in leveraging additional resources for the generation of global environmental benefits. A few documents clearly state that the high cofinancing ratio achieved is an indicator of the GEF’s multiplier effect in generating additional resources for the achievement of global environmental benefits (GEF 2000, p. 15; GEF 2002c, p. 6; GEF 2005, p. 13). The increase in the cofinancing ratio for the overall GEF project portfolio has been noted as an achievement by the Secretariat at various formal forums, including GEF Council meetings. The evidence that supports the portrayal of cofinancing as an indicator of the GEF’s multiplier effect has, however, not yet been presented.

5.5 Project Appraisal Process and Cofinancing

The Agencies are expected to include information on cofinancing in the project proposals they submit. During the review process, at both the project identification form (PIF) clearance stage and CEO endorsement stage, the Secretariat reviews issues related to cofinancing. Criteria 21 and 22 of the form for the GEF Secretariat review of FSPs and MSPs pertain to an assessment of the adequacy of indicative and confirmed cofinancing for the proposed project. Similar attention is not accorded to either associated financing or expected leveraging. Consequently, there are incentives for reporting associated financing and leveraging as cofinancing.

5.6 Reported Cofinancing

The project appraisal documents are expected to provide information on cofinancing so reviewers of the proposal may assess the adequacy of cofinancing. Similarly, terminal evaluations are

expected to provide information on the extent to which promised cofinancing materialized during project implementation. Since the GEF pilot phase, the GEF partnership is reported to have mobilized promised cofinancing of \$37.6 billion—that is, \$4.40 per dollar of GEF grant—for its approved projects. For GEF-4 up to June 30, 2009, the GEF was reported to have mobilized promised cofinancing of \$12.3 billion, or \$6.20 per dollar of GEF grant.

Since FY 2002, terminal evaluations for 340 completed projects have been submitted; in 265 of these, Agencies have reported on materialization of cofinancing. For these projects, \$3.00 of cofinancing was reported to have been promised per dollar of GEF grant, and roughly the same amount was reported to have materialized. (Reported promised and materialized cofinancing is discussed in section 4.1.)

Although the agreed definition of cofinancing sets the standard as to how cofinancing should be reported, the reporting itself may not be accurate. In this section, reported cofinancing is assessed using the standard set by the agreed definition. Other, related characteristics of reported cofinancing are also described.

Management of Cofinancing

To be considered as cofinancing, the financial contributions made by non-GEF sources should be managed with the GEF allocation, underscoring the importance of control over cofinancing. Of the 117 completed projects for which terminal evaluation reports were submitted in FY 2008 and 2009, information on whether the management unit of the project managed reported materialized cofinancing is available for 38 projects. For these projects, of the reported materialized cofinancing of \$384 million, 43 percent of the total was managed by the project management unit, and

57 percent was managed by other entities. Given that information on whether cofinancing contributions were managed with the GEF allocation is not available for a majority of projects, robust conclusions may not be drawn. However, these data do indicate that there is a possibility that a significant percentage of cofinancing might not conform to the agreed definition of cofinancing.

Cofinancing and Leveraging

As per the agreed definition, to be considered as cofinancing, a contribution by a non-GEF source should be part of the initial financing package. The definition views cofinancing as an input to the project. On the other hand, leveraging—financial contributions that are mobilized after project implementation has begun—is viewed as an outcome of the project. Of the 117 completed projects for which terminal evaluations were submitted in FY 2008 and 2009, information on when cofinancing was mobilized could be ascertained for 93 projects. Of these, for 25 percent, at least some of the reported materialized cofinancing was mobilized after implementation of the respective project. In many instances, the contributions mobilized after start of project implementation were reported both as materialized cofinancing and an outcome of the project. Overall, the leveraged contributions that were reported as cofinancing comprised 5 percent of the total reported materialized cofinancing.

Cofinancing Ratio and Outliers

As mentioned earlier in this chapter, the GEF Secretariat assesses the adequacy of indicative and confirmed cofinancing during the project proposal review process. Since it does not have a uniform expectation for cofinancing, it assesses each proposal based on the characteristics of the proposed project. However, in reporting at the portfolio level, the emphasis shifts from adequacy at the

project level to overall cofinancing ratio, or aggregate of the cofinancing mobilized. These figures, however, could easily be skewed if a few projects accounted for the bulk of the cofinancing. Review of the PMIS database for projects approved since the GEF's inception and of reported materialization of cofinancing in completed projects confirms that this is indeed the case. The top 20 projects in terms of cofinancing, which account for less than 1 percent of total approved projects, account for more than 25 percent of total reported cofinancing promised at approval.

Similarly, of the 340 projects for which terminal evaluations have been submitted since FY 2002, Agencies have reported data on materialized cofinancing for 265. The top 10 projects in terms of materialized cofinancing accounted for 55 percent of the total reported materialized cofinancing for these 265 projects. The project with the most cofinancing—"Sichuan Gas Transmission and Distribution Rehabilitation" (GEF ID 75)—alone accounts for 26 percent of the total.

5.7 Cofinancing Ratio and Project Characteristics

To understand whether the ratio of reported cofinancing affects the nature of the project supported, 20 GEF projects with high levels of cofinancing were reviewed. It was found that the highly leveraged projects are generally implemented by the development banks—19 of the 20. Focal area priorities such as energy efficiency (three projects—climate change), transportation (four projects—climate change), and waste management (two projects—international waters) were well represented. These projects tended to have the following characteristics:

- **Low "GEF-ability" of cofinancing.** Most of the cofinancing was for activities that the GEF would normally not support from its own resources.

- **Lower level of integration of cofinancing with GEF-supported components.** Forty-one percent of total cofinancing was for components in which the GEF had not invested a single dollar. In comparison, the level of integration is higher for other projects. For example, of the 117 completed projects for which terminal evaluations were submitted during FY 2008 and 2009, information on promised cofinancing is available at the project component level for 65. For these projects, only 6 percent of the cofinancing was in components in which the GEF had not invested a single dollar. Similarly, for projects approved in FY 2007 and 2008, this figure was 14 percent (based on 159 observations⁵).

Thus, the highly leveraged projects differ from others in important characteristics such as priorities covered, proportion of cofinancing that supports "GEF-able" activities, and level of integration with GEF-supported components.

5.8 Cofinancing Contributors and Their Characteristics

When the GEF provides funding for a project, it does so with the objective that it will produce global environmental benefits. When partner institutions support GEF projects, they do so to pursue their own objectives. Thus, by contributing to a project, all the partners are likely to be following their own strategic goals. A common appreciation for the goals the partners pursue is therefore key to identifying win-win solutions.

Project documents for projects approved during FY 2007–08 were reviewed to identify distinct cofinancing contributions and contributors. In all, 795 distinct promised cofinancing contributions

⁵ Excluding the 3 projects included among the 20 with high levels of cofinancing.

were identified. Based on the information available through published literature and the Internet, these contributors were classified into three categories based on the congruence of their goals with those pursued by the GEF:

- **Broadly congruent goals:** contributors primarily focus on environmental issues
- **Somewhat congruent goals:** contributors primarily focus on development issues, although they also include environmental issues among their concerns and they do not operate with a profit motive
- **Broadly incongruent goals:** includes both government and private sector organizations that primarily operate with a profit motive

Due to insufficient information, the contributors for 56 (7 percent) of the distinct contributions could not be classified. Of the remaining 739 contributions that could be classified, 204 were made by organizations that pursued goals that were broadly congruent with those pursued by the GEF. These accounted for 10 percent of total reported cofinancing contributions. Seventy-one percent of the total reported cofinancing commitment was through 478 distinct contributions by organizations that primarily focus on development issues but also cover environmental issues within their mandate and do not operate with a profit motive. The remaining 20 percent of reported cofinancing was committed through 57 contributions by organizations that primarily operate with a profit motive.

It is likely that, in the absence of a GEF project, a significant proportion of the cofinancing contributions by organizations that pursue objectives congruent with those of the GEF, would be dedicated to similar interventions, if not the same project. Replacement effects are likely to be lower when the cofinancing contributors' goals are not

in sync with those of the GEF. This is especially the case where the contributors operate with a profit motive. However, in such instances, the nature of the projects undertaken (or activities supported from cofinancing contributions) may differ from those that are undertaken when a contributing organization pursues congruent goals.

5.9 Rationale for Cofinancing

The replacement effects involved in cofinancing contributed by organizations whose objectives are congruent with those of the GEF—and, when they are not, the fact that the nature of the projects undertaken tends to change—undermine the multiplier effect argument. In addition, there are costs involved in mobilizing cofinancing that need to be taken into account. This is not to imply that cofinancing is not an effective instrument in furthering GEF objectives. To the contrary, the rationale for seeking cofinancing remains strong. The distinction being made here is that the pathways through which gains from cofinancing accrue are different from what can be derived from a cofinancing ratio for the overall portfolio.

When seeking cofinancing from organizations that pursue broadly congruent goals, GEF projects may gain in terms of economies of scale, synergies, and risk reduction. Cofinancing may allow the GEF to undertake projects that have a greater financial outlay than would have been possible without cofinancing. This could potentially lead to economies of scale and, thus in some situations, to reduced per unit costs for the environmental benefits produced. Another potential gain could be in the form of synergies whereby the respective strengths of the partners are able to generate more global environmental benefits than either could by undertaking the same project (with the same total outlay) on its own. The business case for seeking cofinancing to reduce risk is also quite

strong. Each GEF project represents a certain level of risk. Ex ante, it is not known whether a project will be effective in achieving the expected results. While the risks of relatively small individual projects tend to balance out when a large number are undertaken, for projects that require a substantially larger financial outlay but are otherwise expected to generate global environmental benefits that justify the outlay, the GEF may prefer to seek cofinancing to reduce the risk it will have to bear on its own.

In situations where the GEF seeks cofinancing contributions from organizations whose objectives are not congruent with its own—for example, private sector organizations—substantial benefits may be realized at the national, local, and private sector levels. However, the global environmental benefits generated by the project may more than compensate for the funding provided by the GEF. For example, say a project with \$10 million in GEF funding mobilizes cofinancing of \$100 million from organizations that pursue commercial objectives. Suppose that this project generates slightly more overall global environmental benefits than a project in which the GEF has invested \$10 million but with no cofinancing contributions. In terms of the environmental benefits generated vis-à-vis the overall project outlay of \$110 million, the first project might appear to be less cost-efficient. However, when only the relevant costs for the GEF are considered, the first project may be more attractive.⁶ Thus, the GEF's openness to collaborating with such partners allows it

⁶ This logic does not extend to projects where the GEF seeks cofinancing from organizations that pursue congruent goals. In such cases, it is probably more appropriate to make cost-benefit comparisons by taking the total project outlay into account.

to create more varied opportunities for generating global environmental benefits.

Whether the GEF should support projects with relatively large levels of cofinancing or with little or no cofinancing should be contingent on the characteristics of the project and of likely cofinancing contributors, the cost of mobilizing cofinancing, and the additional global environmental benefits that may be expected. Flexibility to support projects with different levels of cofinancing increases the pool from which the GEF can choose.

The present GEF approach to assessing the feasibility of project proposals based on adequacy of cofinancing (parameters 21 and 22 of the project review form) does not prescribe a minimum cofinancing ratio that projects need to meet. The project appraiser, therefore, has flexibility in assessing the adequacy of cofinancing based on project characteristics. These aspects of the project proposal appraisal process are thus appropriate. However, tracking the overall cofinancing ratio at the project portfolio level to assess GEF effectiveness in attracting additional finances for addressing environmental concerns may not be appropriate. This ratio is easily affected by outliers, and tracking it as one of the indicators of GEF effectiveness creates incentives for preferring one class of projects over another without the justification being rooted in the additional global environmental benefits being generated.

The assessment presented in this chapter is a work in progress. The Evaluation Office will continue to look into this issue and develop further methodologies to identify and measure trade-offs and win-win situations between cofunding possibilities and achievement and maximization of global environmental benefits.

6. Quality of Supervision

The GEF Evaluation Office presented the findings of its pilot assessment on the quality of supervision of GEF projects in APR 2006. The assessment found that although 81 percent of GEF projects were rated as having moderately satisfactory or better supervision, the level of attention and the approach used by the Agencies varied greatly. This assessment led to several GEF Council decisions (GEF Council 2007):

- UNEP should develop a systematic approach to supervision of its GEF portfolio.
- Special attention is required to ensure continued and improved supervision by the GEF Agencies during implementation of projects, and adequate funding should be provided for this supervision from the project fees.
- UNDP and UNEP should involve social and institutional expertise in project supervision where appropriate.

In FY 2009, the Office conducted a follow-up assessment, which aimed at tracking the changes in quality of supervision of the GEF project portfolio and at appraising the progress made by the GEF partnership. The findings and conclusions from this review were presented in OPS4. This chapter includes a summary of these findings, along with some additional tables that facilitate comparison with the findings presented in APR 2006.

In terms of follow-up on Council decisions based on the pilot assessment, overall **UNEP has made significant progress** in addressing the Council decision that it should develop a systematic approach to supervision of its GEF portfolio. The issue of **adequate funding for supervision** from the project fees remains because several Agencies feel that the present GEF approach to Agency fees is disadvantageous and constrains them in devoting adequate resources to this end. This issue is discussed in chapter 7.

The assessment found that despite efforts made by the Secretariat in GEF-4 to **mainstream social and gender issues in GEF operations**, the guidance provided to the Agencies on these issues is too broad. It is therefore difficult to assess compliance. Among the Agencies, UNDP addresses social issues as part of its human rights-based approach to development and has developed specific tools, guidance, and processes to address social issues in a comprehensive manner. The World Bank addresses social issues through social and environmental safeguards that it put in place to prevent and mitigate undue harm to people and their environment. UNEP requires a social assessment of GEF projects during preparation and an annual reporting of social risks during implementation. It also covers social issues in its institutional strategies and policy statements. However, at the time the follow-up review on quality of supervision was conducted,

UNEP had not developed specific tools, guidance, and processes that could facilitate it in addressing social issues more effectively.

6.1 Methodology

The Evaluation Office followed the same approach for the quality of supervision 2009 review as it had followed for the pilot assessment in 2006, albeit with minor modifications. The following criteria were used to assess quality of supervision:

- Focus on results
- Supervision inputs and processes
- Candor and quality of project performance reporting

The sample for the pilot assessment comprised 55 GEF projects that were under implementation during FY 2005–06. For the follow-up assessment, 47 projects that were under implementation during FY 2007–08 were sampled. The review for each of the sampled projects was conducted by a panel and involved desk review of documents such as project appraisal documents, PIRs, midterm reviews, visit notes, and aide memoirs on supervision visits. The project teams of the sampled projects were interviewed. Based on the information collected through the desk reviews and interviews, the panel rated Agency performance and recorded its responses in an assessment instrument. Annex C covers aspects such as sampling approach, assessment instrument, and review process adopted for the follow-up assessment on quality of supervision in greater detail.

6.2 Findings

The findings of the 2009 follow-up assessment show that, compared to the period FY 2005–06, there has been an improvement in the quality of supervision for GEF projects that were under

implementation during FY 2007–08. The percentage of **projects rated moderately satisfactory or above for overall quality of supervision** showed a slight increase—from 81 percent in the pilot assessment to 85 percent in the follow-up assessment.¹ Among the Agencies, UNEP showed a substantial improvement in performance—the percentage of UNEP-implemented projects that were rated moderately satisfactory or above in quality of supervision increased from 36 to 73 percent. A high percentage of World Bank– and UNDP-implemented projects continue to be rated moderately satisfactory or above on overall quality of supervision (table 6.1).

Table 6.1
Percentage of Projects Rated Moderately Satisfactory or Above for Overall Quality of Supervision, by Agency and Project Size

Agency/project size	FY 2005–06	FY 2007–08
UNDP	88	92
UNEP	36	73
World Bank	87	86
FSP	82	89
MSP	79	72

UNEP’s performance has improved on all the supervision quality dimensions (tables 6.2, 6.3, and 6.4). The improvement in the overall quality of supervision ratings for UNEP is explained by the actions it took between the two reviews to develop a more structural approach to project supervision. It developed a new risk-tracking system that facilitates risk identification during project preparation and tracking of these risks and mitigating actions during project implementation, and made this

¹ These figures have been adjusted for differences in probability of being sampled. The unadjusted figures for these cohorts are 71 percent for the pilot assessment and 81 percent for the follow-up assessment.

Table 6.2

Percentage of Projects Rated Moderately Satisfactory or Above for Focus on Results of Supervision, by Agency and Project Size

Agency/project size	FY 2005–06	FY 2007–08
UNDP	89	87
UNEP	50	73
World Bank	87	87
FSP	82	89
MSP	85	75

Table 6.3

Percentage of Projects Rated Moderately Satisfactory or Above for Supervision Inputs and Processes, by Agency and Project Size

Agency/project size	FY 2005–06	FY 2007–08
UNDP	88	95
UNEP	43	79
World Bank	87	87
FSP	82	93
MSP	82	81

Table 6.4

Percentage of Projects Rated Moderately Satisfactory or Above for Candor and Quality of Project Performance Reporting, by Agency and Project Size

Agency/project size	FY 2005–06	FY 2007–08
UNDP	75	77
UNEP	29	73
World Bank	80	80
FSP	77	86
MSP	60	49

system operational in FY 2008. Oversight was also strengthened by requiring focal area team leaders to regularly monitor the follow-up given by task managers to risky projects and by appointing a staff dedicated to monitoring project progress and supervision at the portfolio level.

The 2009 supervision assessment identified **several weaknesses that need to be addressed**. These include the following:

- There is a lack of specific guidance from the GEF on how to identify risk factors and track them systematically.
- Options for project cancellation and restructuring are rarely exercised, even though some of the projects reviewed should have been strong candidates for same, given that disbursements were lagging significantly behind projections and/or some components were performing very poorly.
- Midterm reviews have often been of crucial importance in identifying problems and proposing solutions. Yet, as was also noted in the pilot review, in several instances project midterm reviews were prepared too late to facilitate the Implementing and executing agencies in adopting timely corrective measures.

During GEF-4, the Secretariat has made efforts to mainstream social and gender issues in GEF operations. However, the guidance provided by the GEF to Agencies on these issues has been too broad. As a result, up to now the GEF has primarily depended on Agency policies and practices. Since standards and practices vary significantly among the Agencies, the GEF approach of relying on application of Agency social and gender policies has led to substantive differences among the Agencies in the manner and extent to which they address these issues in GEF projects.

The World Bank's social and environmental safeguards are specific policies that were put into place to prevent and mitigate undue harm to people and their environment. These policies provide specific guidelines in the identification, preparation, and implementation of programs and projects. UNDP's human rights-based approach to

development is an overall framework for project and program preparation and implementation. The Agency is quite advanced in putting in place the instruments and tools to mainstream this approach into project preparation and supervision. This is not the case for UNEP, however. UNEP requires a social assessment of GEF projects during preparation and requires that projects report on social risks on an annual basis. Social issues also figure prominently in UNEP's institutional strategies and policy statements. However, at the time the follow-up review on quality

of supervision was conducted, UNEP—as compared to the World Bank and UNDP—was not as advanced in developing these strategies and policy statements into specific tools, guidance, and processes that could facilitate it in addressing social issues more effectively.

While the policies and procedures of GEF Agencies other than UNDP, UNEP, and the World Bank were not reviewed, in the absence of specific guidance from the GEF, considerable variation among Agencies in approaches followed in this area is likely.

7. GEF Approach to Agency Fees

Issues related to Agency costs and fees have been covered in many GEF Council documents and have been discussed at length in several Council meetings, underscoring the importance the GEF partnership accords these issues. In their recent interactions with the GEF Evaluation Office, some Agencies have expressed concern that the present GEF approach to Agency costs is disadvantageous to them. This establishes the need to take a closer look at this issue.

The technical paper “The Mobilization and Management of GEF Resources,” prepared as an input to OPS4, addressed the issue of Agency fees (Markie 2009). The paper reported that specialized UN Agencies, especially UNEP, are finding it difficult to meet their Agency costs from existing Agency fees and that the 10 percent fee may be inadequate to meet the project management cycle costs for some project categories. The paper, however, did not assess the implications of these weaknesses. The seventh recommendation of OPS4 calls for strengthening GEF performance through, among other things, “a better fee structure” so that the fee provides Agencies with sufficient resources to cover all GEF supervision requirements (GEF EO 2010).

This chapter builds on the discussion on Agency fees presented in OPS4 and presents some new work on this topic. It describes the different approaches adopted by the GEF since its inception

to provide for Agency costs, the strengths and weaknesses of these approaches, and areas for improvement. It assesses the present approach in light of the GEF Council’s decision that adequate funding be provided for project supervision from the project fees.

The assessment presented in this chapter confirms the OPS4 technical paper findings that, although the present approach to providing for Agency costs through a uniform project fee rate has advantages in terms of bringing uniformity across the GEF partnership, being simple to implement, and being transparent, it does not take into account the likely Agency cost differences across various project categories. Agencies that have (and are expected to have) a relatively greater proportion of MSPs and enabling activities in their GEF project portfolio are therefore at a disadvantage.

This assessment does not aim to determine the extent to which the Agency fee provided by the GEF is commensurate with actual costs borne by the Agencies for different categories of projects and for corporate activities. However, it does rely on past reviews prepared jointly by the Agencies and the Secretariat which show that there are differences in project costs borne by the Agencies for different categories of projects such as MSPs, FSPs, and global and regional projects. The assessment also does not look into specific

areas of project cycle management and corporate activities where there is a potential for cost savings. To be able to draw more definitive conclusions on these issues, in-depth review of Agency costs is needed.

7.1 Methodology

This chapter builds on the work presented in the OPS4 technical document on “The Mobilization and Management of GEF Resources” (Markie 2009). The findings presented here are based on a review of the Council decisions that pertain to Agency fees, relevant guidance provided by the GEF Secretariat, and GEF business plans that have been presented to the Council since the GEF’s inception. Information was also gathered from Agency and Secretariat staff through interviews conducted on assessments of quality of supervision and mobilization and management of GEF resources undertaken as part of OPS4.

To estimate the total Agency fees paid by the GEF during these periods, support to Agencies through both the corporate budget and project fees was taken into account. For the corporate budget, budgeted figures were used where actual utilization figures were not available. Data on GEF grants and project fees for approved projects was downloaded from the PMIS. Inflation-adjusted figures have been used for corporate budgets, Agency fees, and approved project grants to make the data comparable across periods. The inflation adjuster was sourced from the U.S. Bureau of Labor Statistics.¹ Details of these adjustments are provided in annex E.

¹ <http://data.bls.gov/cgi-bin/cpicalc.pl>.

Agency Costs and Fees

Costs

In this chapter, the costs incurred by the Agencies on behalf of the GEF are referred to as *Agency costs*. Based on the proposed reporting structure in the “Guidelines for Agencies’ Reporting of Administrative Expenses” (GEF 2008), Agency costs are here classified into two broad categories:

- **Corporate activities:** including policy support; portfolio management; reporting; outreach and knowledge sharing; and support to evaluations, reviews, and studies initiated by the GEF Evaluation Office
- **Project cycle management activities:** including project identification, preparation of project concept, preparation of detailed project documents, project approval and start-up, project implementation and supervision, and project completion and evaluation

A related issue is determination of the extent to which the GEF is willing to support the Agencies in meeting Agency costs. Although no Council documents address this issue directly, the discussion presented in some of them touches on it. According to “GEF Corporate Budget FY99” (GEF 1998), the “GEF reimburses the [Implementing Agencies] for cost incurred by them for activities undertaken on behalf of GEF on the basis of the Work Program and the budget approved by Council.” The document clarifies that “where these activities are for associated projects, GEF should bear only the incremental cost of administration.” “GEF Corporate Budget FY00” (GEF 1999a) stated that a project fee will cover “the life-time implementation costs of that project.” A more recent document, “Proposal for Revising the Fee System” (GEF 2004) describes the GEF policy on project fees with greater clarity. According to it, project fees are to meet “the reasonable cost of the

provision of Project Cycle Management Services on GEF-funded projects.” The use of the qualifier “reasonable” in this formulation indicates that the GEF will pay for the expected costs of project cycle management services only to the extent that these costs are reasonable. It therefore does not commit itself to paying the actual costs of such services if such costs are deemed to be unreasonable.

Fees

The GEF provides for different types of Agency costs through fees. In this chapter, three different terms that pertain to such fees have been used. These are defined below to distinguish among them and ensure consistency in usage:

- **Project fees:** fees paid to cover the project cycle management costs of Agencies
- **Corporate fees:** fees paid to cover the corporate activity costs of Agencies
- **Agency fees:** sum of the corporate fees and project fees paid to the Agencies

Limitations

Although an assessment of actual costs incurred by the Agencies in performing their responsibilities is important, it is difficult to do so given the differences across the Agencies in reporting and accounting for Agency costs. For example, the World Bank does not use the project budget for preparing terminal evaluations for completed projects, whereas several other Agencies do. To bring uniformity to Agency approaches, the GEF Secretariat issued “Guidelines for Agencies’ Reporting of Administrative Expenses” in October 2008. The guidelines list services that are expected from the Agencies implementing GEF projects in exchange for the project fees paid to them by the GEF. The Agencies now annually report on the costs incurred by them on corporate and project cycle management activities as per

this guidance. Overall, the reported costs for corporate activities seem to be higher than the present Agency fee structure provides for. However, there are considerable differences across Agencies in terms of reported expenses on corporate activities. For some Agencies, such as the International Fund for Agricultural Development (IFAD), the World Bank, UNDP, and the United Nations Industrial Development Organization (UNIDO), these expenses are in line with the provisions of the present fee structure. For others, such as UNEP, the Food and Agriculture Organization of the United Nations, and the Inter-American Development Bank (IDB), these expenses are relatively higher. Note that the expenses reported by the Agencies have yet to be verified and assessed by the Evaluation Office on the criteria of reasonability. While such an assessment would have shed more light on this issue, this was not feasible for APR 2009 given cost and time considerations. Therefore, this report does not comment on the extent to which the Agency fee provided by the GEF is commensurate with reasonable and actual Agency costs.

This chapter also does not deal with the costs of executing GEF projects. These costs are provided for from within the project budget. Any comprehensive analysis of the administrative costs of GEF activities and projects will need to take these costs into account.

7.2 GEF Approach to Agency Fees

The GEF approach to Agency fees can be traced through four distinct periods since the GEF’s inception in 1991.

FY 1991–99

During this early phase, the GEF provided support to the three Implementing Agencies (UNDP, UNEP, and the World Bank) through a corporate budget that supported both the corporate

activities and project cycle management activities undertaken by them. The corporate budget allocated to the Agencies was based on anticipated expenses in any given year for these activities. Thus, project cycle management costs were being met annually—as they occurred—and were not being budgeted for at the time projects were approved. The link between the corporate budget of an Agency and its project portfolio was also not direct. During this period, when adjustments for inflation and for the special one-time allocation to meet the residual life-cycle expenses of the projects approved up to 1999 were made, the reported Agency fees paid, on average, to the World Bank were 11 percent, to UNDP 8 percent, and to UNEP 20 percent of the aggregate of the project grants approved (table 7.1). During this period, UNDP and UNEP also met part of their expenses on some activities related to project cycle management from within the project budget. Consequently, the de facto Agency fees paid by the GEF to UNDP and UNEP may have been considerably higher.²

FY 2000–05

To link Agency fee allocations to the respective GEF project portfolio of the Agencies, the GEF shifted to a new approach in FY 2000. Although it continued to provide support for the corporate activities of the three Implementing Agencies through a corporate budget, project cycle management activities were provided for through a

² A review of the budgets of some of the projects approved during this period shows the Agency costs provided for from the project budget are about 4–5 percent of the GEF grant for the projects implemented by UNDP and UNEP; only a few projects were reviewed, however, and the sample was not representative. Therefore, this review is not able to derive the overall correction factor for these Agencies. Even if the sample were representative, an accurate estimate would be difficult to generate, given the differences among the projects in terms of the reporting practices followed.

Table 7.1

Agency Fees as a Percentage of Approved Grants for GEF Projects

Period	UNDP	UNEP	World Bank	Overall GEF
FY 1991–99	8+	20+	11	—
FY 2000–05	11	12	11	11
FY 2006–07	12	11	10	11
FY 2008–09	10	10+	10	10

Note: See annex E for details on derivation of this table.

project fee. GEF projects were classified into four categories: enabling activity, medium-size project, full-size technical assistance, and full-size investment. For each project, a predetermined flat fee based on a project's category was provided to the Agencies to cover project cycle management costs.³ For global, regional, joint, and add-on projects, a premium—which had to be negotiated on a case-by-case basis—was also provided. Since the FSPs differed considerably in terms of GEF investment—from just over \$1 million to \$50 million—and duration, a flat Agency fee was not able to effectively address the Agency costs for a sizable proportion of such projects. Consequently, premiums were negotiated for 27 percent of the FSPs approved during this period, resulting in an additional burden on the Secretariat (GEF 2004). Despite this disadvantage, this approach did seem to have succeeded in curtailing overall Agency fees, especially for UNEP, whose de facto Agency fees are estimated to have been reduced from over 20 percent during the first phase to 12 percent.⁴

³ The flat project fees for these categories were as follows: enabling activity, \$54,000; medium-size project, \$146,000; full-size project—technical assistance, \$382,000; full-size project—investment, \$1,060,000 (adjustable based on project duration). Source: GEF (2004).

⁴ It is difficult to draw such inferences for UNDP, as the data on its Agency costs during the preceding period underestimate cost, as for at least some

FY 2006–07

In June 2005, based on suggestions detailed in the “Proposal for Revising the Fee System” (GEF 2004), the Council agreed to provide for Agency costs based on a uniform project fee rate of 9 percent of the GEF grant along with a corporate budget. Linking a uniform project fee rate to the GEF grant amount addressed the anomalies created by a flat fee system where the fee did not automatically change with an increase in the grant amount. However, since a uniform fee rate was applied across different categories of projects, the differences in Agency costs based on project characteristics were not taken into account. The “Proposal for Revising the Fee System” reasoned that, during the period FY 2000–05, despite differences in costs for different project categories, the Implementing Agencies actually managed their project fees at the overall project portfolio level. Therefore, as long as the average project fees were aligned with the average project cycle management costs, the project mix of the Implementing Agencies was unlikely to change. The document, however, did not address the issue of differences among Agencies in term of project mix.

On average during this period, Agency fees were 11 percent of the aggregate GEF grant for approved projects: 9 percent from project fees and 2 percent from support through the corporate budget. Although in absolute terms the corporate budget was about \$3 million per year for each Agency, the support provided vis-à-vis project portfolio size differed considerably. For the World Bank, which had a relatively large portfolio, the corporate budget was 1 percent of approved grants; for UNEP, it was 4 percent.

of the projects, it was meeting expenses of some services expected from the Agencies through the project budget.

FY 2008 Onwards

In May 1999, the GEF Council expanded the number of Agencies that could have access to GEF funding (GEF Council 1999b). The new Agencies could gain access to GEF funding in collaboration with any of the three Implementing Agencies. After an extensive review in 2003 (GEF 2003), these new Agencies were granted direct access to GEF funding within their agreed scope for GEF operations. Although these Agencies received project fees, since they did not have a separate corporate budget, they felt at a disadvantage compared to UNDP, UNEP, and the World Bank. As the project portfolios of the new Agencies increased, they became more vocal in their demand for parity in terms of access to corporate budget. The GEF Evaluation Office (GEF EO 2007) recommended that the GEF provide a “level playing field” to these Agencies for implementing GEF projects.

To bring uniformity across the GEF partnership, in June 2007 the GEF Council decided to abolish the corporate budget for the GEF Agencies. To compensate the three Agencies for the loss of this corporate budget, the Agency fee rate was increased from 9 to 10 percent. Thus, project fees now provide for both corporate as well as project cycle management activities and are equivalent to Agency fees during the earlier phases. As a result of these measures, there have been some savings for the GEF in terms of the Agency fees paid as a percentage of the GEF grant. However, the extent to which these savings are mitigated by the resultant additional costs that are internalized by the Secretariat is not known.

7.3 Implications of the Present Approach to Agency Fees

The present GEF approach, which was made operational in FY 2008, is the simplest and probably the most transparent of all the approaches adopted by

the GEF thus far. It also brings uniformity across the GEF partnership. The increase of project fees from 9 percent of the GEF grant to 10 percent increases incentives for the Agencies that received direct access to GEF funding in FY 2004 to undertake GEF projects. However, the present approach does not take into account cost differences across project categories or address differences in the project portfolios of the various GEF Agencies.

While project cycle management costs for different categories of projects have not been assessed, the project fee provided by the GEF for different categories of projects during the second phase (FY 2000–05) may provide some insights. The flat fee rates that were specified for different categories of projects during this period were based on recommendations of an inter-Agency fee-based system working group, comprising financial/budget management staff from the three Implementing Agencies and the GEF Secretariat (GEF 1999b). Furthermore, for individual global, regional, joint, and add-on projects, the Agencies could negotiate an additional premium with the Secretariat. It is likely that, for a project approved during this period, the project fee paid to the respective Agency was more aligned with expected project cycle management costs than in other periods. Table 7.2 presents project fees as a percentage of the grants approved for different project categories. The table clearly shows that for MSPs and enabling activities, the GEF project fees as a percentage of the GEF grants were considerably higher than for FSPs.

During the interviews conducted for the FY 2009 assessment on quality of supervision, UNEP task managers emphasized that, compared to earlier periods, the support provided to the Agencies since FY 2008 for meeting project cycle management costs is inadequate. However, the data presented in table 7.2 shows that during FY 2000–05,

Table 7.2

Agency Project Fees FY 2000–05 by Project Type and as a Percentage of GEF Grant

Project type	UNDP	UNEP	World Bank	All Agencies
FSP	8 (10)	7 (11)	9 (10)	9 (10)
MSP	16 (18)	18 (22)	18 (19)	17 (19)
Enabling activity	14 (15)	9 (13)	15 (17)	12 (14)
Regional/global	8 (10)	8 (12)	12 (13)	9 (11)
All projects	9 (11)	8 (12)	10 (11)	9 (11)

Note: Agency fees as a percentage of GEF grants are given in parentheses. Data are from the PMIS database; Agency fees were derived after proportional allocation of corporate budget per dollar of GEF grant to project fees.

the average project fee paid to UNEP was less than—and for UNDP, equal to—the flat project fee rate of 9 percent paid during the period FY 2006–07. For FY 2008 onwards, the present level of project fees for UNEP and UNDP is at least equal to the average fees during FY 2000–05, even when the 1 percent premium for corporate activities is excluded.

While the reasons for the apparent disconnect between the information presented in table 7.2 and that gathered through interviews are not well understood, there are a couple of potential explanations. First, when Implementing Agencies were provided with a corporate budget, their project cycle management activities—especially at the project portfolio management level—might have benefited from the resources for corporate activities. Some support for this hypothesis is presented in GEF EO (2007). This evaluation reported the Executing Agencies’ perception that “the corporate budget provides an advantage to the Implementing Agencies when preparing project proposals.” The evaluation did not endorse or refute this claim. Second, the cost of project cycle management may have increased during the GEF-4 period (FY 2006–10). The *Midterm Review of the Resource Allocation Framework* (GEF EO 2009b) found that added

complexity due to implementation of the RAF and additional functional demands related to project cycle management might have increased costs for the Agencies during the period FY 2007–08.

It may be anticipated that with the stabilization of GEF rules and procedures for project implementation, the higher Agency costs experienced during GEF-4 stemming from wide-ranging reforms will be mitigated. However, the reduction in de facto project fees due to the GEF's abolishing the separate corporate budget will continue to be a constraint for some Agencies.

Although the project fees should pay for only “the reasonable cost of the provision of Project Cycle Management Services on GEF-funded projects,” it is difficult to determine these costs for different GEF project categories based on available information. It is generally agreed that per dollar of GEF grant, MSPs and enabling activities cost more than FSPs. With the shift to a uniform project fee rate, the cost differences across project categories are not addressed. In practice, Agencies tend to manage project fees at the project portfolio level; thus, the cost difference across categories would not be an issue if the project portfolios of different Agencies were similar.⁵ However, since Agency project portfolios differ considerably, the uniform fee rate may be creating disincentives for Agencies that have a greater representation of MSPs and enabling activities in their portfolios.

Table 7.3 presents the distribution of GEF funding by modality and Agency for the four periods discussed here. Since GEF funding for different

project modalities is affected by many factors,⁶ it is difficult to obtain a clear picture of the effect of changes in approach to Agency fees on Agency project portfolios. Due to the effect of the RAF, there has been a slight increase in funding for MSPs after FY 2008 compared to FY 2006–07. However, it appears that from FY 2000–05 to FY 2006–09, there has been a drop in the proportion of GEF funding for projects with a GEF grant of \$1 million or less.⁷ Among the Agencies, the World Bank and UNEP seem to be moving away from MSPs.

Given that the GEF project portfolios of the Implementing Agencies are markedly different, the present system of a uniform overall rate creates disincentives for those Agencies with a greater representation of MSPs and enabling activities in their project portfolios. The shift in the portfolios of such Agencies may not necessarily be a suitable solution. The GEF may prefer that Agencies with a comparative advantage in implementing MSPs and enabling activities continue to have a greater representation of such projects in their portfolios.

During GEF-4, Agencies have taken steps to streamline processes that will allow them to implement GEF projects efficiently. This has occurred alongside the shift of lowering the share of MSPs in project portfolios. The “Guidelines for Agencies’ Reporting of Administrative Expenses” issued

⁵ Management of project fees at the portfolio level is logical because, during the course of project implementation, some projects that are at risk may require more attention than others and than had been expected. Management of the project fee at the portfolio level allows Agencies to give more attention to the “at risk” projects.

⁶ These factors include initiation of new programs due to specific requests from the conventions, extension of GEF funding to new focal areas, change in the number and typology of member countries, requirements of the RAF, and so on. Furthermore, the RAF has created greater incentives for the countries with smaller indicative GEF-4 allocations for biodiversity and/or climate change (or those that were part of the group allocation countries) to prefer the MSP modality.

⁷ During the GEF pilot phase, MSPs were not available as a GEF modality. This affects the figures for MSP share (and its resultant effect on shares of FSPs and enabling activities) during the period FY 1991–99.

Table 7.3**Distribution of GEF Funding to Agencies, by Project Modality (%)**

Period	UNDP			UNEP			World Bank			Total GEF portfolio		
	FSP	MSP	EA	FSP	MSP	EA	FSP	MSP	EA	FSP	MSP	EA
FY 1991–99	93.9	1.4	4.8	80.8	6.0	14.0	98.6	1.2	0.2	96.4	1.4	2.2
FY 2000–05	84.3	10.2	6.1	78.1	13.2	10.0	95.5	4.3	0.3	89.4	7.1	3.8
FY 2006–07	93.7	5.0	1.4	85.4	12.8	2.0	99.3	0.7	0.0	96.3	3.1	0.6
FY 2008–09	89.0	10.4	0.7	88.2	10.9	0.9	97.7	2.3	0.0	93.2	6.4	0.4

Note: EA = enabling activity. The funding for enabling activities presented in this table includes only those projects for which GEF funding was less than \$0.5 million and therefore eligible for CEO approval under expedited procedure. Enabling activities that were not eligible for approval under expedited procedures—GEF funding of \$0.5 million or more—have been classified either as MSPs (funding of \$0.5 million to \$1 million) or FSPs (funding of more than \$1 million).

by the Secretariat in October 2008 has addressed the issue of harmonizing the administrative cost reporting practices of Implementing Agencies. This will, in the future, facilitate more direct comparisons across Agencies in terms of Agency fees and the services provided for these fees. The issues of project cycle management cost differentials across project categories and differences in Agency project portfolios, however, still remain.

For the GEF-5 period (FY 2010–14), the GEF may consider certain policy options regarding its approach to Agency fees. One option is to maintain the status quo—to not change the present fee structure and the incumbent burden on Agencies for undertaking project cycle management and corporate activities—and expect the Agencies to adapt to these conditions. However, the status quo presents certain disincentives to Agencies in undertaking MSPs and enabling activities. As a result, these modalities may be less favored by Agencies that have a comparative advantage in implementing such projects. To maintain the status quo will still be a reasonable option if the GEF consciously prefers down-scaling its funding through smaller projects. If this is not the case, other options will need to be explored.

One such option is to adopt an approach that accounts for differences in Agency project portfolios and helps Agencies in meeting the “reasonable

costs” of project cycle management for all project categories. An alternative option would be to undertake measures that may reduce the costs of project cycle management for MSPs and enabling activities, and of their support for corporate activities. Such measures could include simplifying requirements for project preparation, and streamlining supervision and reporting requirements. Similarly, expectations in terms of undertaking corporate activities could be adjusted. The project approval requirements for MSPs and enabling activities are already less stringent than those for FSPs. Further simplification may be necessary for substantial project cycle management cost reductions. The World Bank has adopted some measures to reduce such costs for smaller projects. For example, its current approach to terminal evaluations for MSPs—whereby MSP terminal evaluations are not reviewed by the IEG and are considerably shorter than (and generally not of as high quality as) those for FSPs—reflects this adjustment.

These options—to make project fees commensurate with the “reasonable costs” of project cycle management for different project categories and to undertake measures that reduce such costs—are not mutually exclusive. The preferred choice may be an attempt to strike a balance between these options.

8. Quality of Project Monitoring

A project's monitoring and evaluation system provides information early on about progress toward achievement of intended results. It also helps in identification of issues that warrant corrective measures to facilitate progress. The Evaluation Office reports on quality of project monitoring in completed projects annually.

8.1 Rating Approach

Quality of project monitoring in completed projects was assessed on a six-point scale. All the 307 terminal evaluation reports submitted since FY 2004 were considered. Of these, the GEF Evaluation Office has provided or adopted ratings for 230 on quality of monitoring during implementation. To rate quality of monitoring in completed projects, it was assessed whether

- an M&E system was in place and facilitated timely tracking of results and progress toward project objectives by collecting information on chosen indicators continually throughout the project implementation period;
- annual project reports were complete and accurate, with well-justified ratings;
- the information provided by the M&E system was used for project management;
- the parties responsible for M&E activities were properly trained to ensure that correct procedures were followed and quality was maintained in data collection.

8.2 Quality of Monitoring during Implementation

Of the rated projects for the FY 2009 cohort, the quality of project monitoring during implementation was rated as moderately satisfactory for 62 percent.¹ While this is not significantly different from the long-term average, the persistence of a lower percentage of projects being rated in the satisfactory range for project monitoring requires some explanation.

One of the main reasons for poor ratings involves poor quality at entry. The quality at entry of M&E arrangements was rated to be in the satisfactory range for 69 percent of the projects for the cohorts reviewed for this APR from FY 2006 to 2009. Of the projects for which quality of M&E arrangements at project entry was rated in this range, the quality of monitoring during project implementation was rated in the satisfactory range for

¹ Of the 55 projects in the FY 2009 cohort, the Office provided ratings for 38 (88 percent) of the 43 projects for which terminal evaluations were reviewed by it. For five projects (12 percent), no rating was provided because of insufficient information. Of the 12 projects for which outcome ratings provided by the evaluation offices of the respective Agencies were adopted, an approach consistent with that followed by the GEF Evaluation Office was used for only 1 project. Therefore, a project monitoring rating from an Agency evaluation office was adopted in only one instance.

79 percent. In comparison, of projects rated in the unsatisfactory range for quality of M&E arrangements at entry, quality of monitoring was rated in the satisfactory range for only 36 percent. This finding is consistent with the conclusions presented in APR 2006, APR 2007, and APR 2008—for projects that have weak M&E arrangements at entry, it is less likely that sufficient corrections will be made to improve their quality of project monitoring during implementation.

The poor quality of M&E arrangements is attributable to the fact that most completed projects for which terminal evaluations have been reviewed were designed prior to the 2006 adoption of the GEF M&E policy. As projects designed in the wake of the policy's adoption are completed, some improvement in performance both in terms of arrangements at entry and actual implementation of project monitoring may be expected.

9. Quality of Terminal Evaluations

Terminal evaluations provide an assessment of project accomplishments and shortcomings. They are the building blocks for assessing the performance of completed projects. Their effectiveness as a learning tool for the GEF partnership may be compromised if the information they provide is inaccurate, incomplete, or biased. The Evaluation Office reviews terminal evaluations to provide verified ratings on project performance and on the quality of terminal evaluation reports. By assessing the quality of the terminal evaluation reports, the Evaluation Office identifies areas where the reports could be improved.

To date, 340 terminal evaluation reports have been submitted to the GEF Evaluation Office. This is the sixth year the Evaluation Office has rated the quality of these reports; 307 have been rated thus far. In FY 2009, 55 terminal evaluation reports were submitted by the GEF Agencies including 12 for which the ratings provided by the independent evaluation offices of the respective Agencies have been adopted.

A major obstacle has been the uncertainty in the number of projects completed and terminal evaluations expected during the annual reporting cycle. In recent years, although there has been some decline in time lags in submission of terminal evaluations, several reports continue to be submitted after considerable delays. To resolve

this issue, a more systematic approach in collaboration with the GEF Secretariat and Agencies is required.

The overall quality of 96 percent of the terminal evaluation reports of the FY 2009 cohort was rated moderately satisfactory or above. The trend of improvement in quality of terminal evaluation reports continues.

During the annual review cycle for APR 2007, the Evaluation Office initiated field verification of terminal evaluations to confirm the achievement results of completed projects. So far, 14 verifications have been conducted including 1 terminal evaluation that was field verified for the FY 2009 cycle. Although in some instances the ratings provided after field verification vary from those resulting from the desk reviews, they generally confirm the findings of the desk reviews.

9.1 Rating Approach

The approach adopted by the Evaluation Office to assess the quality of terminal evaluation reports submitted from FY 2005 to 2009 has remained the same; those submitted in FY 2004 were assessed using a slightly different but comparable methodology. Similarly, for five World Bank-implemented projects that were submitted in FY 2009 and for which outcome ratings given by the IEG were adopted, a slightly different approach has

been adopted for four. Since historically the ratings provided by the IEG on quality of terminal evaluation reports have not been different from those provided by the GEF Evaluation Office, these have been adopted despite minor differences in approach.

The reports submitted since FY 2005 have been assessed by the Evaluation Office based on the following criteria:

- Did the report present an assessment of relevant outcomes and achievement of project objectives in the context of the focal area program indicators, if applicable?
- Was the report consistent, the evidence complete and convincing, and the ratings substantiated when used?
- Did the report present a sound assessment of sustainability of outcomes?
- Were the lessons and recommendations supported by the evidence presented?
- Did the report include the actual project costs (total and per activity) and actual cofinancing used?
- Did the report include an assessment of the quality of the project M&E system and its use in project management?

Performance on each of these criteria is rated on a six-point scale. The overall rating is a weighted average of these ratings: the first two criteria are given a weight of 0.3 each, and the remainder a weight of 0.1 each.

The Evaluation Office also tracks consistency between the verified outcome rating provided by it and those provided in the last PIR that was submitted to the GEF Secretariat, in the terminal evaluation report, and by the evaluation offices of the Implementing Agencies. Because not all ratings

have been provided on the six-point scale used by the Office, ratings are converted to a binary scale to make comparisons possible.

To field verify findings of terminal evaluations, the Office gathers information on project performance through

- interviews of key stakeholders;
- verification of physical evidence of the reported accomplishments;
- desk review of the project-related literature including, but not restricted to, terminal evaluation reports, audits, progress reports, and other reviews.

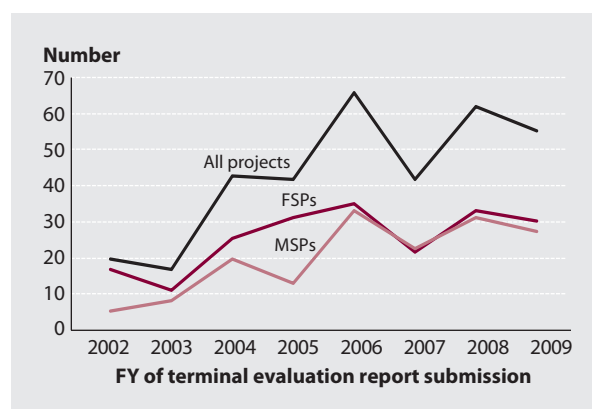
The rating approach used by the Evaluation Office for field verification is identical to that followed in terminal evaluation reviews. In addition, elements of other approaches adopted by the Evaluation Office to assess impacts of GEF activities are being incorporated into the field verification approach.

9.2 Findings

Of the 55 terminal evaluation reports submitted during FY 2009 (figure 9.1), **the quality of 96 percent (53 reports) was rated moderately**

Figure 9.1

Number of Terminal Evaluation Reports Submitted for Review

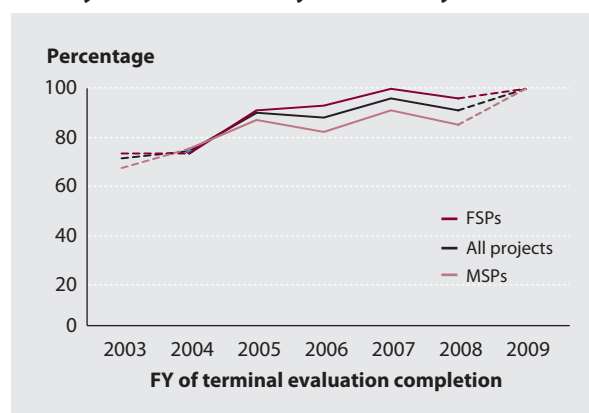


satisfactory or above (table 9.1). The terminal evaluation reports of all the FSPs and 92 percent of MSPs were so rated. Compared to the long-term average, this is an improved performance (table 9.2).

Figures 9.2 and 9.3 present the trends in terminal evaluation report quality ratings based on the year in which the terminal evaluation reports were completed (instead of the year of submission). Figure 9.2 presents the percentage of reports that were rated moderately satisfactory or above in terms of quality. Figure 9.3 presents the percentage of reports that meet a higher quality standard of satisfactory or above. Since all reports for some cohorts—especially the most recent one—have not yet been submitted, ratings for as-yet-unsubmitted reports are not known. The dotted lines in the figures indicate the period for which it is estimated that a significant percentage of the terminal

Figure 9.2

Percentage of Terminal Evaluation Reports with Quality Rated Moderately Satisfactory or Above



Note: The dotted lines indicate that the cohorts for those years are not yet complete.

evaluations completed in that year have not yet been submitted. Both figures show an identical trend. Despite annual variations, the quality of terminal evaluation reports has been steadily

Table 9.1

Terminal Evaluation Reports Submitted in FY 2009 Rated Moderately Satisfactory or Above as a Percentage of Total Reports, by Project Size and Agency

Agency	FSPs		MSPs		All projects	
	Number	Percent	Number	Percent	Number	Percent
UNDP	11	11 (100)	11	10 (91)	22	21 (95)
UNEP	2	2 (100)	13	13 (100)	15	15 (100)
UNIDO	1	1 (100)	0	—	1	1 (100)
World Bank	15	15 (100)	2	1 (50)	17	16 (94)
All Agencies	29	29 (100)	26	24 (92)	55	53 (96)

Note: Numbers in parentheses are percentage of total.

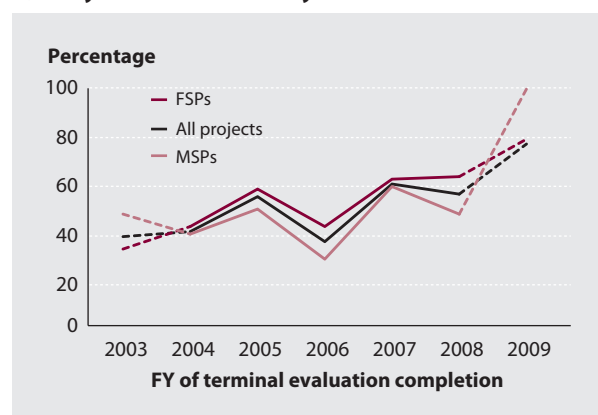
Table 9.2

Percentage of Terminal Evaluation Reports Rated Moderately Satisfactory or Above, by Year of Submission and Agency

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	All years
UNDP	54	91	87	94	93	95	88
UNEP	67	50	67	100	100	100	83
World Bank	80	100	86	94	88	94	89
All Agencies	69	88	83	95	92	96	88

Figure 9.3

Percentage of Terminal Evaluation Reports with Quality Rated Satisfactory or Above



Note: The dotted lines indicate that the cohorts for those years are not yet complete.

improving. These annual variations are emphasized when the yardstick of satisfactory or above quality ratings is used.

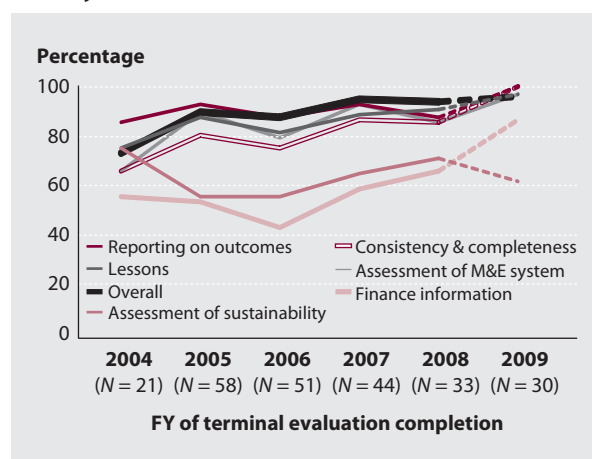
Performance by Quality Dimension

The Evaluation Office rates quality of a terminal evaluation report on six dimensions. Figure 9.4 shows the trends in percentage of terminal evaluation reports rated moderately satisfactory or above on individual quality dimensions. Figure 9.5 presents the trends on the same quality dimensions using a more stringent yardstick—terminal evaluation reports rated satisfactory or above. Together, the figures show that although ratings on some quality dimensions such as assessment of M&E system and financial information remain lower than those for other dimensions, there has been some progress in the reporting on these dimensions.

Often, different types of **monitoring** that may be relevant to GEF projects are not distinguished in the terminal evaluation reports. For example, GEF projects may have three different types of monitoring:

Figure 9.4

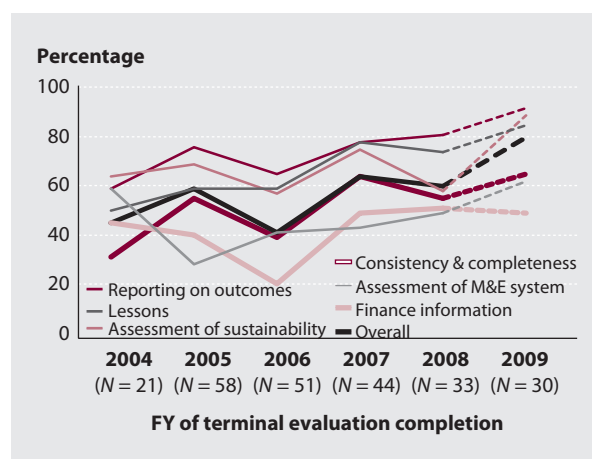
Percentage of Terminal Evaluation Reports with Moderately Satisfactory or Above Ratings on Each Quality Dimension



Note: The dotted lines indicate that the cohorts for those years are not yet complete.

Figure 9.5

Percentage of Terminal Evaluation Reports with Satisfactory or Above Ratings on Each Quality Dimension



Note: The dotted lines indicate that the cohorts for those years are not yet complete.

- Monitoring of project inputs, outputs, and processes to facilitate better tracking of project implementation progress
- Monitoring of results to facilitate evaluation of project outcome and impacts

- Monitoring of environmental trends and baselines in transboundary areas as a component of the GEF project

The second type differs from the third in that it tracks changes in the outcome or impact indicators of a GEF project, whereas the latter tracks changes in environmental and socioeconomic indicators without these changes being directly linked to the activities taken up by the GEF project. Reporting on implementation of M&E arrangements often misses these differences.

As noted above, there has been some improvement in the quality of reporting on **financial issues**. Most reports now present information on utilization of the GEF grant and on the amount of cofinancing that materialized. However, in most instances, the information provided is at the aggregate level and not available at the component or activity level. Reporting on cofinancing often does not clarify whether the cofinancing was managed by the project implementation unit or by other organizations.

Comparison of Ratings

The Office compares its verified project outcome ratings with those provided in

- the reviews conducted by the evaluation offices of the Implementing Agencies,
- the terminal evaluation reports,
- the last PIR submitted by the relevant GEF Agency before project completion.

In the past, the scales used to rate outcome achievements (or progress toward achieving expected outcomes, in the case of PIRs) for a significant number of OPS4 projects were not directly comparable to that used by the GEF Evaluation Office. Therefore, wherever possible,

ratings were converted to a binary scale to make them comparable.¹

Disconnects between the outcome ratings given by the GEF Evaluation Office and by others could potentially go in two directions: *positive*—when the GEF Evaluation Office rates the outcome achievements of a project as satisfactory but others rate them as unsatisfactory, or *negative*—when the Evaluation Office rates them to be unsatisfactory but others rate them as satisfactory. For the projects reviewed so far, there has been one instance of a positive disconnect between the outcome ratings provided by the Evaluation Office and others, and several negative disconnects.

Among the three major Implementing Agencies, the evaluation office of the World Bank provides ratings on outcome achievements of all FSPs; it does not provide such ratings for MSPs. The UNDP and UNEP Evaluation Offices provide ratings on outcome achievements for both FSPs and MSPs. While the evaluation offices of the World Bank and UNEP have been providing ratings on outcome achievements for some time, the UNDP Evaluation Office—which had thus far provided ratings only on the quality of terminal evaluation reports—in FY 2009 started providing ratings on outcome achievements.

Of the 55 projects for which terminal evaluations were submitted, the outcome rating provided by the evaluation office of the respective Agency was adopted for 12. For 34 of the remaining 43 projects, both the respective Agency and the GEF Evaluation Office have provided ratings. For these, the Agency evaluation offices rated the

¹ Highly satisfactory, satisfactory, and moderately satisfactory on the GEF Evaluation Office scale constitute a “satisfactory” range; highly unsatisfactory, moderately unsatisfactory, and unsatisfactory constitute an “unsatisfactory” range.

outcome achievements of 88 percent to be in the satisfactory range, compared to 85 percent by the GEF Evaluation Office. Similarly, of these 34 projects, 31 (91 percent) received matching ratings from the GEF Evaluation Office and the respective Agency evaluation office on a binary scale.

Field Verification

The GEF Evaluation Office piloted its field verification approach in FY 2007. The experience gained through this process was used to further develop the approach. To date, 14 terminal evaluations have been field verified; the verified ratings broadly conform to the ratings based on desk reviews (table 9.3). Of these 14 projects, the outcome achievements of 10 were rated in the

satisfactory range in the desk review; 11 were so rated based on field verification. On a six-point scale, the desk review and field verification ratings were identical in five instances, and not identical in nine. For two of these nine instances, the ratings based on desk review were more optimistic; in seven instances, the ratings based on field verification appraised performance more favorably.

The number of terminal evaluations that have been field verified is too small to allow for robust conclusions. However, the comparison seems to indicate that ratings based on desk review tend to be a bit conservative regarding the outcome achievements of projects that, through field verification, exceeded expectations. As data on field verification of more terminal evaluations become available, the Evaluation Office will be able to do a more in-depth comparison of the results derived from the two verification approaches.

Of the 14 field-verified terminal evaluations, that for the “Biodiversity and Natural Resources Management Project” (GEF ID 458) in Turkey was verified during FY 2009. The verification confirmed the moderately satisfactory outcome rating that had been given by the GEF Evaluation Office based on desk review. Because field verification is time consuming and costly, the Office is combining this initiative with its country portfolio evaluations. Thus, field verification of terminal evaluations—as in FY 2009—will be carried out in countries where such evaluations are being undertaken.

Table 9.3

Comparison of Outcome Ratings Accorded through Desk Reviews and Field Verification of Terminal Evaluation Reports

		Field verification ratings						Total
		HS	S	MS	MU	U	HU	
Desk review ratings	HS	1	0	0	0	0	0	1
	S	3	2	1	0	0	0	6
	MS	0	1	2	0	0	0	3
	MU	0	1	0	0	1	0	2
	U	0	0	0	2	0	0	2
	HU	0	0	0	0	0	0	0
	Total	4	4	3	2	1	0	14

Note: Verifications were conducted from FY 2007–09. HS = highly satisfactory; S = satisfactory; MS = moderately satisfactory; MU = moderately unsatisfactory; U = unsatisfactory; HU = highly unsatisfactory.

10. Management Action Record

The GEF management action records track the level of adoption of GEF Council decisions that are based on evaluation findings and recommendations. The MARs seek to increase GEF management accountability regarding Council decisions on monitoring and evaluation issues. The GEF Council approved the format and procedures for the MAR at its November 2005 meeting and requested that the GEF Evaluation Office prepare an updated MAR to be presented to the Council for review and follow-up on an annual basis.

10.1 Rating Approach

The rating categories for the progress of adoption of Council decisions were agreed upon in a consultative process of the Evaluation Office, the GEF Secretariat, and the GEF Agencies and are as follows:

- **High**—fully adopted and fully incorporated into policy, strategy, or operations
- **Substantial**—largely adopted but not fully incorporated into policy, strategy, or operations as yet
- **Medium**—adopted in some operational and policy work, but not to a significant degree in key areas
- **Negligible**—no evidence or plan for adoption, or plan and actions for adoption are in a very preliminary stage
- **N.A.**—not applicable
- **Not possible to verify yet**—verification will have to wait until more data are available or proposals have been further developed

This year's MAR presents ratings of GEF management and the verification of these ratings by the Evaluation Office. They track management actions on Council decisions based on 13 GEF Evaluation Office documents, including 11 evaluations presented in last year's MAR:

- Role of Local Benefits in Global Environmental Programs (GEF/ME/C.27/4, October 2005)
- Annual Performance Report 2005 (GEF/ME/C.28/2/Rev.1, May 2006)
- Evaluation of Incremental Cost Assessment (GEF/ME/C.30/2, November 2006)
- Evaluation of the GEF Activity Cycle and Modalities (GEF/ME/C.30/6, November 2006)
- Evaluation of the GEF Support to Biosafety (GEF/ME/C.28/Inf.1, May 2006)
- Annual Performance Report 2006 (GEF/ME/C.31/1, May 2007)
- Country Portfolio Evaluation: Philippines (1992–2007) (GEF/ME/C.31/3, May 2007)
- Joint Evaluation of the Small Grants Programme—Executive Version (GEF/ME/C.32/2, October 2007)
- GEF Annual Report on Impact 2007—Executive Version (GEF/ME/C.32/4, October 2007)

- Annual Country Portfolio Evaluation Report 2008 (GEF/ME/C.33/4, March 2008)
- Mid-term Review of the Resource Allocation Framework (GEF/ME/C.34/2, October 2008)

The remaining two documents are new evaluations presented to Council in 2009:

- Annual Country Portfolio Evaluation Report 2009 (GEF/ME/C.35/1, June 2009)
- GEF Annual Report on Impact 2009 (GEF/ME/C.36/2, November 2009)

10.2 Findings

This year's MAR tracks management actions on 34 Council decisions (table 10.1). The GEF Evaluation Office was able to verify 32 of these. One of the decisions that could not yet be verified is the Council request for adequate funding in project fees to ensure continued and improved supervision in the project cycle; the other is the Council's request to the SGP Steering Committee to strengthen country program oversight. In both cases, further evidence needs to be gathered to properly assess their level of adoption.

Decisions with Adoption Rated at a Substantial or High Level

Of the 34 Council decisions tracked, for 22 (65 percent) the Evaluation Office rated adoption of the decision by management to be substantial or high. For the MAR prepared for APR 2008, the level of adoption was so rated for 55 percent of decisions. Higher levels of adoption ratings for the decisions tracked by the MAR for APR 2009 vis-à-vis those for the 2008 MAR do not automatically imply that management has become more responsive in adopting Council decisions. Rather, much of the improvement reflects the fact that, on average, for the decisions that were tracked for the 2009 MAR, management had a longer time period in which to adopt decisions as compared to those tracked in previous MARs.

The GEF Evaluation Office will graduate five Council decisions for which a high level of adoption was attained. Two of the Council decisions that were rated at a high level come from the Evaluation of the GEF Support to Biosafety and are related to the request for the GEF to provide assistance to countries for implementation of the Cartagena

Table 10.1

Ratings of GEF Progress in Adopting Council Decisions

Management rating	GEF Evaluation Office rating					Sum of management ratings
	High	Substantial	Medium	Negligible	Not possible to verify yet	
High	3	7	1	0	0	11
Substantial	2	8	1	0	2	13
Medium	0	2	6	1	0	9
Negligible	0	0	0	1	0	1
Not possible to verify yet	0	0	0	0	0	0
Sum of Office ratings	5	17	8	2	2	34

Note: Highlighted fields show agreement between the ratings of management and the GEF Evaluation Office; fields to the right of the diagonal represent higher ratings by management than by the Evaluation Office (except in the case of not possible to verify yet). — = not applicable or not yet rated.

Protocol. In this respect, the GEF has continued to emphasize awareness-raising and public participation issues, including support to the Biosafety Clearing-House, and has espoused—with the support of the GEF Scientific and Technical Advisory Panel—a focus on capacity-building activities for GEF-5 so as to better integrate biosafety issues into the GEF biodiversity portfolio. As an example, the PIF for the UNEP-GEF \$2.5 million project, “Building Capacity for Effective Participation in the BCH-II,” was approved by the GEF Council as part of the November 2009 work program. This project will allow enhancement of the Biosafety Clearing-House in 50 countries that have completed their national biosafety frameworks and Biosafety Clearing-House I.

The Council decision asking the GEF Secretariat to “present steps to improve RAF design and indices for the climate change and biodiversity focal areas for GEF-5, and furthermore to present scenarios for possible expansion of the RAF, if feasible, to all focal areas for GEF-5” was also considered fully adopted. At its November 2009 meeting, the GEF Council approved the System for Transparent Allocation of Resources (STAR), which replaces the RAF. Compared to the RAF, the STAR has an improved design and indexes; it also includes the land degradation focal area.

The remaining “high”-rated decisions come from two different evaluations. The Council decision from the Evaluation of Incremental Cost Assessment asked the GEF Secretariat to present new operational guidelines for the application of the incremental cost principle. These guidelines are a basis for a simplified demonstration of the business-as-usual scenario, incremental reasoning, fit with focal area strategies, and cofunding. The other Council decision was from the GEF Country Portfolio Evaluation in the Philippines, and asked the GEF Secretariat to generate proposals for the

development of country assistance strategies leading to better coordination and programming at the country level. As a result, the GEF-5 replenishment documents include the recommendation that recipient countries set up a national GEF committee with broad representation to discuss GEF issues, and the GEF Secretariat has introduced voluntary project identification exercises as another mechanism for countries that wish to receive support in deciding how the GEF-5 resources allocated under the STAR will be used.

Decisions That Have Shown No Change in Rating

For half of the Council decisions that were included in the previous MAR, the rating on level of adoption has not improved. In most cases, this does not mean that these issues have been ignored or that no actual progress on the ground has taken place. For example the Council decisions related to the Local Benefits Study—requesting that local benefits become more systematically addressed in all stages of the project cycle in GEF activities—have maintained the same rating of medium as in the two previous years. However, compared to last year, the GEF Secretariat now acknowledges that this is an issue that still needs to be addressed. It lowered its rating for all four Council decisions related to this evaluation from high to medium. Further, it noted that, in addition to working on a guidance paper on gender mainstreaming, the new results-based management has produced an evidence paper on the linkage of global environmental benefits to local benefits, which urges the hiring of a socioeconomic consultant to include adequate indicators in the PIRs.

Another example where there was no change in ratings even though the issues have continued to improve during the last year is the Council decisions deriving from the Evaluation of the GEF Activity Cycle and Modalities. The explanation

for the apparent lack of progress in adoption of these decisions lies in the fact that they required substantial changes in strategies and processes (expediting the project cycle, or changing the work program from being project-based to a more programmatic approach), and therefore will take longer to be fully adopted and integrated into the GEF system.

The ratings for the adoption of another group of Council decisions have not yet improved, mainly because the strategies for GEF-5 are currently under development and are being discussed at the replenishment meetings.

Adoption of a small number of Council decisions, such as the request to the SGP Steering Committee to start “a process to change SGP’s central management system suitable for the new phase of growth and to address the risks of growing complexity,” has been slow. In this case, the overall programmatic document that defines the role of the Central Programme Management Team vis-à-vis the upgraded country programs has not been prepared. And, unless a solution is found, the GEF Evaluation Office considers that there is a risk of a funding gap for the operation of the 10 country programs that are in line for upgrading.

Comparison between the Evaluation Office and Management Ratings

This year, GEF management and the GEF Evaluation Office agree on the ratings of the level of adoption of 56 percent of Council decisions, as compared to 63 percent in the preceding year. While an important factor in the differences in the ratings is the bias that can be expected when performance is self-rated, an equally important consideration is a difference in the interpretation of Council decisions. Although the level of agreement is lower this year, much of the disagreement is due to management being more conservative

in rating the level of adoption for some Council decisions (table 10.1). This year, GEF management ratings for level of adoption were lower than the Evaluation Office ratings for four decisions as compared to only one last year.

Adoption of the June 2007 Council decision based on APR 2006 that “UNEP should develop a systemic approach to supervision of its GEF portfolio” was rated as substantial by the Evaluation Office. The Office acknowledged the steps undertaken by UNEP to improve the quality of supervision and concluded that the progress made by the Agency was significant. Although management had rated adoption of this decision as high last year, this year it rated it as medium. Management’s explanation for last year’s rating was that UNEP had undertaken systemic measures to improve supervision. This year, UNEP’s response was that the project fees provided by the GEF are inadequate, and therefore it feels constrained in covering the cost of supervision for the project preparation phase.

Another Council decision for which the Evaluation Office rating for adoption was higher than that given by management was that based on the Evaluation of the Incremental Costs Assessment for the GEF Secretariat to incorporate a refined approach to incremental costs and an outreach plan in the proposal for the revised project cycle. Management rated adoption of the decision as significant, because it had submitted a paper during the June 2007 Council meeting outlining the “Operational Guidelines for the Application of the Incremental Cost Principle,” and the Council had approved the paper and guidelines as a basis for a simplified application of the principle. The Evaluation Office agreed with this information, but had a more favorable appraisal because the Council decision had been fully adopted.

Graduated Decisions

Since the MARs' commencement, the Evaluation Office has followed the adoption of 92 GEF Council decisions based on the recommendations of 23 evaluations. In general, the GEF has been very responsive to Council decisions, which have led to an ongoing reform process. The Evaluation Office graduates both decisions for which a high adoption rating has been achieved and those that are no longer relevant. A total of 63 (68 percent) Council decisions, including 5 that attained a high rating this year, have been graduated since the first MAR was presented in the 2005 APR (table 10.2).

Decisions lose relevance for a variety of reasons. The GEF Evaluation Office stopped tracking Council decisions based on recommendations resulting from the evaluation of GEF's Engagement with the Private Sector because the policy recommendations adopted as part of the replenishment negotiations for GEF-4 made these previous recommendations obsolete. Another Council decision the Office stopped tracking was based on the 2004 program studies of the GEF focal areas. The Council requested that the Evaluation Office (the Office of M&E at that time) prepare a more extensive presentation of program studies for discussion at the June 2005 Council meeting. These program studies were put on the agenda for the meeting, but were not presented because

discussions of the draft Third Overall Performance Study report took precedence. Graduation of decisions that are no longer relevant allows the GEF partnership to focus on issues that more clearly reflect the present concerns of the Council.

A complete version of this year's MAR is available at the GEF Evaluation Office Web site (www.gefeo.org).

10.3 Peer Review of the GEF Evaluation Function

In June 2007, the GEF Evaluation Office offered to take responsibility for OPS4 as part of its regular work program. The Council approved the proposal except for those study components that would pose a conflict of interest. Accordingly, it was proposed that the role of the GEF Evaluation Office would be independently assessed by a Professional Peer Review Panel, composed of internationally recognized members.

The peer review examined the GEF evaluation function on three core criteria:

- Independence of the GEF Evaluation Office and of its evaluation processes
- Credibility
- Utility of its evaluations

Table 10.2

Summary of Council Decisions Graduated from the MAR

MAR	Fully adopted	No longer relevant				Total
	High	Substantial	Medium	Negligible	Not possible to verify yet	
2005	5	15	7	3	—	30
2006	5	1	—	—	—	6
2007	7	8	—	—	2	17
2008	5	—	—	—	—	5
2009	5	—	—	—	—	5
Total	27	24	7	3	2	63

The review concluded that the structural independence of the Evaluation Office has largely been achieved, its work plan preparation is independent, and the evaluative criteria used in developing the work plan are justified. However, it noted that the level of consultation with stakeholders is less than desirable. The peer review found that evaluation reports are seen as credible, especially highlighting the utility of reports for the Council, and included recommendations to improve the GEF evaluation function.

The GEF Evaluation Office response concluded that, in general, it has a positive assessment of the peer review report and that its findings and recommendations will help the Office improve further. It recognized that some of the issues identified

in the report—such as improved consultation on the work program, early country involvement in country-level evaluations, and improved utility and feedback at levels other than the Council, as well as staff workload—will be addressed in GEF-5.

Upon review of the document, the GEF Council requested that the Evaluation Office “take the findings and recommendations of the Peer Review, as well as comments made during the Council meeting, into account when preparing a revision of the GEF Monitoring and Evaluation Policy.” In accordance with this request, the process to review the M&E policy is currently ongoing, and proposals for a revised policy are expected to be delivered in November 2010 to the GEF Council.

11. Performance Matrix

The performance matrix provides a summary of the performance of the GEF Agencies and GEF Secretariat on a variety of parameters (table 11.1). Although several of these parameters are assessed by the Evaluation Office on an annual basis, to mitigate fluctuations in performance ratings due to differences in project mix or other idiosyncratic factors, the values presented in the matrix are, depending on the parameter, running averages of two to four years. Of the 13 parameters included in the matrix, information has been provided for 10. For parameter 13, which rates quality of learning based on improvement in performance on other parameters, ratings have been given on only four dimensions. In the future, as data for more years become available, it will be possible to track improvement in performance on a greater number of dimensions. See annex D for methodological notes for the performance matrix data reported for this APR.

11.1 Rating Approach

Reporting methodology varies by parameter:

- Four performance parameters—**project outcomes, implementation completion delays, materialization of cofinancing, and quality of monitoring and evaluation during project implementation**—are reported as four-year running averages, as systemic changes in performance on these parameters are expected to be gradual. The figures listed in this year's matrix, however, are not four-year averages for all parameters.
- The figures reported for performance on **quality of project terminal evaluation reports** are two-year running averages, as meaningful changes can be attained in the short run.
- Changes in performance are also likely to be gradual for a second set of parameters: **quality of supervision and adaptive management, realism of risk assessment and risk management, and quality of project M&E arrangements**. Moreover, assessment of performance on these parameters requires intensive thematic appraisals. For the sake of efficiency, the Evaluation Office will take up such appraisals as part of the APR after a two- to three-year interval.
- Performance on parameter 7, **independence of terminal evaluations**, is rated on a six-point scale from 1, highly unsatisfactory, to 6, highly satisfactory. The findings on this parameter are updated annually.

Several items cannot yet be reported on:

- For assessing performance on **project preparation elapsed time**, information will be analyzed from the GEF database. An assessment of the time taken in preparing and processing PIFs was carried out by the Evaluation Office for OPS4. However, this is only a small step in

Table 11.1

GEF Agencies and Entities Performance Matrix

Parameter	UNDP	UNEP	World Bank	GEF Secretariat	Overall GEF Performance
Results					
1. Project outcomes: percentage of completed projects with outcomes rated moderately satisfactory or above	76	87	87	—	83
Processes affecting results					
2. Quality of supervision and adaptive management: percentage rated moderately satisfactory or above	92	73	86	—	85
Efficiency					
3. Project preparation elapsed time: average number of months required to prepare projects	—	—	—	—	—
4. Implementation completion delays: average delay in completion of projects in months	20	15	12	—	15
5. Materialization of cofinancing					
a. Reported materialization of cofinancing per dollar of approved GEF financing	2.7	1.4	2.5	—	2.4
b. Reported materialization of cofinancing as percentage of promised cofinancing	127	114	96	—	107
Quality of M&E					
6. Independence of Agency central evaluation units	—	—	—	—	—
7. Independence of terminal evaluations or independent review of terminal evaluations	S/S	S/S	HS/MU	—	MS
8. Realism of risk assessment (robustness of project-at-risk systems): percentage of projects rated moderately satisfactory or above in candor and realism in supervision reporting	77	73	80	—	77
9. Robustness of program result indicators and tracking tools	—	—	—	—	—
10. Quality assurance of project M&E arrangements at entry	83	— ^a	80	76	76
11. Quality of project M&E during implementation	60	67	76	—	68
12. Quality of project terminal evaluations	94	100	90	—	94
Quality of Learning					
13. Improvement in performance					
i. Project outcomes	—	—	—	—	—
ii. Quality of supervision and adaptive management	3	4	3	—	3
viii. Realism of risk assessment: candor and realism in reporting	3	4	3	—	3
x. Quality of M&E arrangements at entry	3	— ^a	3	—	3
xii. Improvement in quality of terminal evaluations: on a scale of 1 (low performance) to 4 (high performance)	4	4	3	—	3

Note: See annex D for detailed information on the rating methodology for each of the parameters included in this table. HS = highly satisfactory; S = satisfactory; MS = moderately satisfactory; MU = moderately unsatisfactory.

a. Data for UNEP were insufficient to allow for robust conclusions.

the project preparation. It is expected that by next year sufficient data should be available to assess project preparation elapsed time more comprehensively.

- Two parameters—**independence of GEF partner Agency evaluation units** and the assessment of **robustness of program result indicators and tracking tools**—require development of new methodologies and approaches. Although this was planned to have been accomplished as part of OPS4, this was eventually not undertaken.

11.2 Findings

Information has been provided on 10 of the 13 parameters included in the performance matrix. Key findings are highlighted here.

1. Ratings on outcome achievements. Based on the review of terminal evaluation reports submitted to the Evaluation Office from FY 2006 to 2009, the Evaluation Office rated outcome achievement (parameter 1) in 83 percent of the projects to be moderately satisfactory and above. Among the Implementing Agencies, outcome achievements of 87 percent of World Bank– and UNEP–implemented projects were rated in the satisfactory range. In comparison, outcome achievements of 76 percent of the UNDP projects were so rated.

2. Quality of supervision and adaptive management and realism of risk assessment. This year, the ratings on the second and eighth parameters (quality of supervision and adaptive management, and realism of risk assessment) which were based on the 2006 pilot assessment on quality of supervision were updated with results from the 2009 follow-up assessment. The ratings for UNEP showed considerable improvement on both parameters. This reflects steps taken by UNEP management to improve

quality of supervision across the UNEP portfolio. The World Bank and UNDP continue to perform well on these parameters.

3. Quality of learning. For the 13th parameter on quality of learning—improvement in performance—ratings on two more dimensions (quality of supervision and adaptive management, and realism of risk assessment) were possible this year, due to the availability of results from the 2009 follow-up survey on quality of supervision. Compared to the ratings given by the pilot assessment, UNEP demonstrated substantial improvements on both these dimensions. As a result, it has been given a 4 rating on both the dimensions. UNDP and the World Bank have kept up their good performance on both these dimensions and have been given a 3 rating.

The Evaluation Office assessed the changes in quality of terminal evaluation reports (12th dimension, parameter 13). However, since the pattern of change is similar to that for the last year, the ratings have not changed.

Despite a higher percentage of projects implemented by UNDP and the World Bank being rated in the moderately satisfactory range for quality of supervision and adaptive management and for realism of risk assessment, these Agencies have received a lower rating than UNEP on improvement in performance on these dimensions of parameter 13. Using improvement in performance as an indicator of learning is effective when there is potential for high gains. However, in situations where a high level of performance has already been attained, this indicator may not be appropriate to track learning. Therefore, there is a need to reassess the indicators and parameters that are presently being used in the performance matrix.

Annex A. Terminal Evaluation Report Review Guidelines

The assessments in the terminal evaluation reviews will be based largely on the information presented in the terminal evaluation report. If insufficient information is presented in a terminal evaluation report to assess a specific issue such as, for example, quality of the project's monitoring and evaluation system or a specific aspect of sustainability, then the preparer of the terminal evaluation reviews will briefly indicate so in that section and elaborate more if appropriate in the section of the review that addresses quality of report. If the review's preparer possesses other first-hand information such as, for example, from a field visit to the project, and this information is relevant to the terminal evaluation reviews, then it should be included in the reviews only under the heading "Additional independent information available to the reviewer." The preparer of the terminal evaluation review will take into account all the independent relevant information when verifying ratings.

A.1 Criteria for Outcome Ratings

Based on the information provided in the terminal evaluation report, the terminal evaluation review will make an assessment of the extent to which the project's major relevant objectives were achieved or are expected to be achieved,¹ relevance of the

project results, and the project's cost-effectiveness. The ratings on the outcomes of the project will be based on performance on the following criteria:²

- a. **Relevance.** Were project outcomes consistent with the focal area/operational program strategies and country priorities? Explain.
- b. **Effectiveness.** Are project outcomes commensurate with the expected outcomes (as described in the project document) and the problems the project was intended to address (the original or modified project objectives³)?
- c. **Efficiency.** Include an assessment of outcomes and impacts in relation to inputs, costs, and

ment results to which a project or program is expected to contribute (OECD DAC 2002).

² *Outcomes* are the likely or achieved short-term and medium-term effects of an intervention's outputs. Outputs are the products, capital goods, and services that result from a development intervention; these may also include changes resulting from the intervention that are relevant to the achievement of outcomes (OECD DAC 2002). For the GEF, environmental outcomes are the main focus.

³ The GEF Secretariat and GEF Agencies are currently seeking to better align the focal area program indicators and tracking tools with focal area strategic priorities and project objectives. This will enable the aggregation of outcomes and impacts for each focal area to annually measure progress toward targets in the program indicators and strategic priorities.

¹ *Objectives* are the intended physical, financial, institutional, social, environmental, or other develop-

implementation times based on the following questions: Was the project cost-effective? How does the project's cost/time versus outcomes equation compare to that of similar projects? Was the project implementation delayed due to any bureaucratic, administrative, or political problems and did that affect cost-effectiveness?

An overall rating will be provided according to the achievement and shortcomings in the three criteria ranging from highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, highly unsatisfactory, and unable to assess.

The reviewer of the terminal evaluation will provide a rating under each of the three criteria (relevance, effectiveness, and efficiency). Relevance of outcomes will be rated on a binary scale: a satisfactory or an unsatisfactory rating will be provided. If an unsatisfactory rating has been provided on this criterion, the overall outcome achievement rating may not be higher than unsatisfactory. Effectiveness and efficiency will be rated as follows:

- **Highly satisfactory.** The project had no shortcomings.
- **Satisfactory.** The project had minor shortcomings.
- **Moderately satisfactory.** The project had moderate shortcomings.
- **Moderately unsatisfactory.** The project had significant shortcomings.
- **Unsatisfactory.** The project had major shortcomings.
- **Highly unsatisfactory.** The project had severe shortcomings.
- **Unable to assess.** The reviewer was unable to assess outcomes on this dimension.

The calculation of the overall outcomes score of projects will consider all three criteria, of which the

relevance criterion will be applied first: the overall outcome achievement rating may not be higher than unsatisfactory. The second constraint applied is that the overall outcome achievement rating may not be higher than the effectiveness rating. The third constraint applied is that the overall rating may not be higher than the average score of effectiveness and efficiency criteria calculated using the following formula:

$$\text{Outcomes} = (b + c) \div 2$$

In case the average score is lower than that obtained after application of the first two constraints, then the average score will be the overall score. The score will then be converted into an overall rating with midvalues rounded upward.

A.2 Impacts

Has the project achieved impacts, or is it likely that outcomes will lead to the expected impacts? Impacts will be understood to include positive and negative, primary and secondary long-term effects produced by a development intervention. They could be produced directly or indirectly and could be intended or unintended. The terminal evaluation review's preparer will take note of any mention of impacts, especially global environmental benefits, in the terminal evaluation report, including the likelihood that the project outcomes will contribute to their achievement. Negative impacts mentioned in the terminal evaluation report should be noted and recorded in section 2 of the terminal evaluation review template in the subsection on "Issues that require follow-up." Although project impacts will be described, they will not be rated.

A.3 Criteria for Sustainability Ratings

Sustainability will be understood as the likelihood of continuation of project benefits after completion

of project implementation (GEF 2000). To assess sustainability, the terminal evaluation reviewer will identify and assess the key risks that could undermine continuation of benefits at the time of the evaluation. Some of these risks might include the absence of or inadequate financial resources, an enabling legal framework, commitment from key stakeholders, and enabling economy. The following four types of risk factors will be assessed by the terminal evaluation reviewer to rate the likelihood of sustainability of project outcomes: financial, sociopolitical, institutional framework and governance, and environmental.

The following questions provide guidance to assess if the factors are met:

- **Financial resources.** What is the likelihood that financial resources will be available to continue the activities that result in the continuation of benefits (income-generating activities and trends that may indicate that it is likely that in future there will be adequate financial resources for sustaining project outcomes)?
- **Sociopolitical.** Are there any social or political risks that can undermine the longevity of project outcomes? What is the risk that the level of stakeholder ownership is insufficient to allow for project outcomes/benefits to be sustained? Do the various key stakeholders see it as in their interest that the project benefits continue to flow? Is there sufficient public/stakeholder awareness in support of the long-term objectives of the project?
- **Institutional framework and governance.** Do the legal frameworks, policies, and governance structures and processes pose any threat to the continuation of project benefits? While assessing this parameter, consider if the required systems for accountability and transparency, and the required technical know-how, are in place.

- **Environmental.** Are there any environmental risks that can undermine the future flow of project environmental benefits? The terminal evaluation should assess whether certain activities in the project area will pose a threat to the sustainability of project outcomes. For example, construction of a dam in a protected area could inundate a sizable area and thereby neutralize the biodiversity-related gains made by the project.

The reviewer will provide a rating under each of the four criteria (financial resources, sociopolitical, institutional, and environmental) as follows:

- **Likely.** There are no risks affecting sustainability of outcomes.
- **Moderately likely.** There are moderate risks to sustainability of outcomes.
- **Moderately unlikely.** There are significant risks to sustainability of outcomes.
- **Unlikely.** There are severe risks to sustainability of outcomes.
- **Unable to assess.** Unable to assess risks on this dimension.
- **Not applicable.** Risks on this dimension are not applicable to the project.

A number rating of 1–4 will be provided in each category according to the achievement and shortcomings, with likely = 4, moderately likely = 3, moderately unlikely = 2, unlikely = 1, and not applicable = N.A. A rating of unable to assess will be used if the reviewer is unable to assess any aspect of sustainability. In such instances, it may not be possible to assess the overall sustainability.

All the risk dimensions of sustainability are critical. Therefore, the overall rating will not be higher than the rating of the dimension with the lowest rating. For example, if the project has an unlikely rating in either of the dimensions, then its overall rating cannot be higher than unlikely, regardless

of whether higher ratings in other dimensions of sustainability produce a higher average.

A.4 Criteria for Assessment of Quality of Project M&E Systems

GEF projects are required to develop M&E plans by the time of work program inclusion, to appropriately budget M&E plans, and to fully carry out the M&E plans during implementation. Project managers are also expected to use the information generated by the M&E system during project implementation to improve and adapt the project to changing situations. Given the long-term nature of many GEF projects, projects are also encouraged to include long-term monitoring plans that measure results (such as environmental results) after project completion. Terminal evaluation reviews will include an assessment of the achievement and shortcomings of M&E systems.

- a. **M&E design.** Projects should have a sound M&E plan to monitor results and track progress in achieving project objectives. An M&E plan should include a baseline (including data, methodology, and so on), appropriate indicators and data analysis systems, and evaluation studies at specific times to assess results. The time frame for various M&E activities and standards for outputs should have been specified. The questions to guide this assessment include: In retrospect, was the M&E plan at entry practicable and sufficient (sufficient and practical indicators identified; timely baseline; targets created; effective use of data collection; analysis systems including studies and reports; practical organization and logistics in terms of what, who, and when for M&E activities)?
- b. **M&E plan implementation.** The M&E system was in place and allowed the timely tracking of results and progress toward project objectives throughout the project. Annual project reports

were complete, accurate, and with well-justified ratings. The information provided by the M&E system was used to improve and adapt project performance. An M&E system should be in place with proper training for parties responsible for M&E activities to ensure that data will continue to be collected and used after project closure. The questions to guide this assessment include: Did the project M&E system operate throughout the project? How was M&E information used during the project? Did it allow for tracking of progress toward project objectives? Did the project provide proper training for parties responsible for M&E activities to ensure data will continue to be collected and used after project closure?

- c. **Other questions.** These include questions on funding and whether the M&E system was a good practice.
 - Was sufficient funding provided for M&E in the budget included in the project document?
 - Was sufficient and timely funding provided for M&E during project implementation?
 - Can the project M&E system be considered a good practice?

A number rating of 1–6 will be provided for each criterion according to the achievement and shortcomings, with highly satisfactory = 6, satisfactory = 5, moderately satisfactory = 4, moderately unsatisfactory = 3, unsatisfactory = 2, highly unsatisfactory = 1, and unable to assess = no rating. The reviewer of the terminal evaluation will provide a rating under each of these criteria (M&E design and M&E plan implementation) as follows:

- **Highly satisfactory.** There were no shortcomings in that criterion of the project M&E system.
- **Satisfactory.** There were minor shortcomings in that criterion of the project M&E system.

- **Moderately satisfactory.** There were moderate shortcomings in that criterion of the project M&E system.
- **Moderately unsatisfactory.** There were significant shortcomings in that criterion of the project M&E system.
- **Unsatisfactory.** There were major shortcomings in that criterion of the project M&E system.
- **Highly unsatisfactory.** There was no project M&E system.

The rating for M&E during implementation will be the overall rating of the M&E system:

**Rating on the Quality of the Project
M&E System = b**

A.5 Criteria for Assessment of Quality of Terminal Evaluation Reports

The ratings on quality of terminal evaluation reports will be assessed using the following criteria:

- a. The report presents an assessment of all relevant outcomes and achievement of project objectives in the context of the focal area program indicators if applicable.
- b. The report was consistent, the evidence presented was complete and convincing, and ratings were well substantiated.
- c. The report presented a sound assessment of sustainability of outcomes.
- d. The lessons and recommendations are supported by the evidence presented and are relevant to the portfolio and future projects.
- e. The report included the actual project costs (totals, per activity, and per source) and actual cofinancing used.

- f. The report included an assessment of the quality of the M&E plan at entry, the M&E system used during implementation, and whether the information generated by the M&E system was used for project management.

A number rating of 1–6 will be provided for each criterion, with highly satisfactory = 6, satisfactory = 5, moderately satisfactory = 4, moderately unsatisfactory = 3, unsatisfactory = 2, highly unsatisfactory = 1, and unable to assess = UA.

Each criterion to assess the quality of the terminal evaluation report will be rated as follows:

- **Highly satisfactory.** There were no shortcomings in the terminal evaluation on this criterion.
- **Satisfactory.** There were minor shortcomings in the terminal evaluation on this criterion.
- **Moderately satisfactory.** There were moderate shortcomings in the terminal evaluation on this criterion.
- **Moderately unsatisfactory.** There were significant shortcomings in the terminal evaluation on this criterion.
- **Unsatisfactory.** There were major shortcomings in the terminal evaluation on this criterion.
- **Highly unsatisfactory.** There were severe shortcomings in the terminal evaluation on this criterion.

The first two criteria (of all relevant outcomes and achievement of project objectives and report consistency and substantiation of claims with proper evidence) are more important and have therefore been assigned a greater weight. The quality of the terminal evaluation reports will be calculated by the following formula:

$$\text{Quality of the Terminal Evaluation Report} = 0.3 \times (a + b) + 0.1 \times (c + d + e + f)$$

The total number will be rounded and converted to the scale of highly satisfactory to highly unsatisfactory.

A.6 Assessment of Processes Affecting Attainment of Project Outcomes and Sustainability

This section of the terminal evaluation review will summarize the factors or processes related to implementation delays and cofinancing that may have affected attainment of project results. This section will summarize the description in the terminal evaluation on key causal linkages of these factors:

- **Cofinancing and project outcomes and sustainability.** If there was a difference in

the level of expected cofinancing and actual cofinancing, what were the reasons for it? To what extent did materialization of cofinancing affect project outcomes and/or sustainability? What were the causal linkages of these effects?

- **Delays and project outcomes and sustainability.** If there were delays, what were the reasons for them? To what extent did the delay affect project outcomes and/or sustainability? What were the causal linkages of these effects?
- **Country ownership and sustainability.** Assess the extent to which country ownership has affected project outcomes and sustainability? Describe the ways in which it affected outcomes and sustainability highlighting the causal links.

Annex B. Terminal Evaluations Submitted in FY 2009

This annex lists the projects for which terminal evaluation reviews were conducted in FY 2009. Corresponding lists for previous reports are

found in APR 2004, annex D; APR 2005, annex F; APR 2006, annex B; APR 2007 annex B, and APR 2008 annex B.

GEF ID	Name	Country	Focal area	Size	Agency
13	Removal of Barriers to Biomass Power Generation and Co-generation	Thailand	CC	FSP	UNDP
92	Biodiversity Conservation Project	Argentina	BD	FSP	WB
314	A Program for Rural Electrification with Renewable Energy Using the Popular Participation Law	Bolivia	CC	FSP	UNDP
391	Fuel Efficiency in the Road Transport Sector	Pakistan	CC	FSP	UNDP
409	Protected Areas Management	Morocco	BD	FSP	WB
449	Photovoltaic-Based Rural Electrification in Peru	Peru	CC	FSP	UNDP
458	Biodiversity and Natural Resources Management Project	Turkey	BD	FSP	WB
514	The Role of the Coastal Ocean in the Disturbed and Undisturbed Nutrient and Carbon Cycles	Global	IW	MSP	UNEP
621	Biodiversity and Protected Area Management Pilot Project for the Virachey National Park	Cambodia	BD	FSP	WB
640	Mulanje Mountain Biodiversity Conservation Project	Malawi	BD	FSP	WB
778	Indigenous and Community Biodiversity Conservation (COINBIO)	Mexico	BD	FSP	WB
789	Implementation of the Strategic Action Programme (SAP) Toward Achievement of the Integrated Management of the Benguela Current Large Marine Ecosystem (LME)	Regional	IW	FSP	UNDP
805	Solar Water Heaters (SWHs) for Low-income Housing in Peri-Urban Areas	South Africa	CC	MSP	UNDP
835	Public Sector Energy Efficiency Programme	Hungary	CC	FSP	UNDP
863	Community-managed Sarstoon Temash Conservation Project	Belize	BD	MSP	WB
865	Conservation of the Asiatic Cheetah, its Natural Habitat and Associated Biota	Iran	BD	MSP	UNDP
868	Establishment of Private Natural Heritage Reserves in the Brazilian Cerrado	Brazil	BD	MSP	UNDP
883	Energy Efficiency Project	Romania	CC	FSP	WB
887	Biodiversity Conservation in the Sierra Gorda Biosphere Reserve	Mexico	BD	FSP	UNDP

GEF ID	Name	Country	Focal area	Size	Agency
947	Integrated Silvo-Pastoral Approaches to Ecosystem Management	Regional	MF	FSP	WB
982	Integrated Approach to Wood Waste Combustion for Heat Production	Poland	CC	MSP	UNDP
985	Developing Renewable Ground Water Resources in Arid Lands: a Pilot Case - the Eastern Desert of Egypt	Egypt	IW	MSP	UNDP
1060	Capacity building for Stage II Adaptation to Climate Change (Central America, Mexico and Cuba)	Regional	CC	FSP	UNDP
1124	Integrated Participatory Ecosystem Management In and Around Protected Areas, Phase I	Cape Verde	BD	FSP	UNDP
1198	Biomass Energy for Heating and Hot Water Supply	Belarus	CC	FSP	UNDP
1229	EBRD/GEF Environmental Credit Facility (formerly entitled Slovenia: National Pollution Reduction Project)	Slovenia	IW	FSP	WB
1279	Gdansk Cycling Infrastructure Project	Poland	CC	MSP	UNDP
1412	Building the Capacity of the People's Republic of China to Implement the Stockholm Convention on POPs and Develop a National Implementation Plan	China	POPs	EA	UNIDO
1413	Energy Efficiency Measures in the Honduran Commercial and Industry Sectors	Honduras	CC	MSP	UNDP
1446	Conservation and Sustainable Use of Biodiversity in the Peruvian Amazon by the Indigenous Ashaninka Population	Peru	BD	MSP	UNDP
1486	Global Biodiversity Forum (GBF): Multistakeholder Support for the Implementation of the Convention on Biological Diversity - Phase III	Global	BD	MSP	UNEP
1618	Towards a Convention and Action Programme for the Protection of the Caspian Sea Environment	Regional	IW	FSP	UNDP
1707	Integrated Management of Cedar Forests in Lebanon in Cooperation with other Mediterranean Countries	Lebanon	BD	MSP	UNEP
1734	The Development and Management of the Selous-Niassa Wildlife Corridor	Tanzania	BD	MSP	UNDP
2237	Developing Incentives for Community Participation in Forest Conservation through the Use of Commercial Insects in Kenya	Kenya	BD	MSP	UNDP
2396	Dryland Livestock Wildlife Environment Interface Project (DLWEIP)	Regional	BD	MSP	UNEP
2423	Assessment of Existing Capacity and Capacity Building Needs to Analyze POPs in Developing Countries	Global	POPs	MSP	UNEP
2474	Promoting Ecosystem-based Approaches to Fisheries Conservation and LMEs	Global	IW	MSP	UNEP
2503	International Assessment of Agricultural Science and Technology for Development (IAASTD)	Global	MF	FSP	WB
2571	Distance Learning and Information Sharing Tool for the Benguela Coastal Areas (DLIST-Benguela)	Regional	IW	MSP	UNDP
2581	Building Capacity for Effective Participation in the Biosafety Clearing House (BCH) -- (add-on to include 89 additional countries)	Global	BD	FSP	UNEP
2649	Rural Electrification and Renewable Energy Development	Yemen	CC	MSP	WB
2722	Fostering a Global Dialogue on Oceans, Coasts, and SIDS, and on Freshwater-Coastal-Marine Interlinkages	Global	IW	MSP	UNEP

Note: WB = World Bank; BD = biodiversity; CC = climate change; IW = international waters; MF = multifocal; POPs = persistent organic pollutants; EA = enabling activity.

Annex C. Quality of Supervision Assessment

The GEF Evaluation Office followed the same approach for the quality of supervision 2009 review as for the pilot assessment in 2006, albeit with minor modifications. Supervision is still understood as *the identification and tracking of, and response to, risks and other issues affecting project implementation and achievement of project objectives*. The Office examined Agency supervision systems and a representative sample of projects for both assessments. Similarly, for both assessments, the quality of project supervision during implementation was assessed using the following three criteria:

- Focus on results
- Supervision inputs and processes
- Candor and quality of project performance reporting¹

Each of these criteria had subcriteria on which performance was assessed. The performance on

the subcriteria formed a basis for the overall rating on a criterion. Similarly, performance on the three criteria formed a basis for the overall quality of supervision rating. Although minor changes were made in the instrument used for the pilot assessment, the overall rating approach has remained the same. Thus, the ratings for the FY 2009 cohort may be compared with those for the FY 2006 cohort. The instrument used for this review is presented in table C.1; that used for the pilot review appears as annex D of APR 2006 (GEF EO 2008a).

Although the assessments aimed at providing an overall picture of the GEF project portfolio, the sampled projects were not fully representative of that portfolio. Several exclusions were made to optimize effort and resources. The projects that were jointly implemented by Agencies were excluded from both the pilot and follow-up assessments because it is difficult to manage the logistics of examining such projects. For most Agencies, MSPs were not included in the review because such projects comprise a small proportion of the GEF investment. MSPs were, however, included for UNDP and UNEP, because they comprise an important part of the GEF project portfolio for these Agencies. None of the enabling activities supported by the GEF were included in the review, because, given the relatively short duration of implementation, at any given point in time very few are represented in the active portfolio of

¹ The quality of supervision assessment looked into issues related to fiduciary standards in the sampled projects. However, since the review panels for the assessments did not include fiduciary specialists, these issues were not examined in depth. The reviews, therefore, were limited to appraisal of issues reported on in a project's audit and other monitoring reports. Findings regarding fiduciary issues have not been reported specifically. However, when appropriate, they have been considered in providing an overall supervision rating for a project.

the GEF. Moreover, the overall GEF investment in enabling activities is relatively small. Despite these exclusions, the sampled projects represent a relatively high portion of the GEF project portfolio. For example, for the FY 2009 assessment, after the above-mentioned exclusions, the remaining portfolio from which the sample was drawn accounts for 81 percent of the total number of active projects and 83 percent of GEF project funding. Overall, the FY 2009 assessment was more inclusive than the pilot review because it considered FSPs implemented by GEF Agencies other than UNDP, UNEP, and the World Bank—including the Asian Development Bank (ADB), IDB, IFAD, and UNIDO—in its sample selection.

The samples for both surveys were selected using a stratified random sampling approach. The sample for the pilot assessment comprised 55 GEF projects under implementation during FY 2005 and 2006 and implemented by UNDP, UNEP, and the World Bank. For the follow-up survey in 2009, 53 projects (with prespecified replacements) were selected in the sample. Projects implemented by UNEP, ADB, IDB, IFAD, and UNIDO were oversampled. This measure was particularly important for UNEP, as oversampling facilitated the Office in drawing more robust conclusions at the Agency level. For ADB, IDB, IFAD, and UNIDO, the small size of their active portfolio makes it difficult to draw meaningful conclusions at the Agency level, even given oversampling. The main objective of oversampling for these Agencies was to have a better sense of the quality of supervision for projects being implemented by the GEF Agencies under expanded opportunities. The effect of oversampling of projects from some categories was corrected for by using probability weights.

As was similarly handled in the pilot assessment, the sample of World Bank projects in the FY 2009 assessment comprised those GEF projects that

were reviewed by the Quality Assurance Group as part of its Quality Assessment of Lending Portfolio review for FY 2007–08.² The Evaluation Office staff participated in some of the Quality Assurance Group panels convened to review the GEF projects being implemented by the World Bank.

Panels convened by the GEF Evaluation Office conducted the review of non-World Bank projects. The review process was initiated in November 2008 and completed in July 2009. A total of 14 panelists, drawn from GEF Evaluation Office and GEF Secretariat staff and other area specialists and consultants, participated in the review. Each panel consisted of two or more reviewers. For each sampled project, the project appraisal documents and PIRs were accessed through the GEF PMIS. In addition, the respective Agencies were asked to provide documentation on supervision activities undertaken for the sampled project. Such documentation included audit reports, emails, management letters, field mission reports, and—where applicable—midterm review and terminal evaluation reports. The panelists reviewed these materials to gather information on supervisory-related aspects and to identify issues for which more information was required. Conference calls were made to the project management team to gather more information on issues identified through the desk review, further clarification on such issues, and new information. The information thus gathered was recorded in an instrument adapted from that used in FY 2006 (table C.1). In

² The Quality Assessment of Lending Portfolio is a modified version of the Quality of Supervision Assessment conducted by the Quality Assurance Group until FY 2005–06. Although the new assessment is more comprehensive than its predecessor, the components focused on assessing quality of supervision have remained the same. The GEF Evaluation Office pilot assessment used Quality of Supervision Assessment findings for GEF projects.

making modifications in the instrument, precautions were taken to ensure comparability in ratings between the two assessments. Where necessary, the project management team was recontacted to fill in gaps in the draft assessments.

During the review process, five projects were dropped from the sample. The three projects sampled from the ADB-implemented portfolio were dropped because the Agency did not respond to GEF Evaluation Office requests for facilitating the review. A project implemented by IFAD was dropped after it was discovered through interactions with the Agency that although the PMIS

listed the project as having been under implementation for more than a year, actual implementation had only begun a few months earlier. The project thus did not meet the requirement for being under implementation during both FY 2007 and 2008. Since IFAD had only two active projects as per the PMIS database—and both had been sampled—it was not possible to replace the dropped project. A project from UNEP was also dropped; this was because the Evaluation Office panel convened for this project did not complete its report in time. Thus, of the original sample of 53 projects in the follow-up assessment, review was completed of 47 projects (table C.2).

Table C.1**Instrument Used for 2009 Quality of Supervision Assessment**

Overall Assessment		Rating
Comments on quality of project design at entry:		
Comments on quality of project design at the time of assessment:		
Comments on quality of project execution:		
Comments on likelihood of project achieving its environmental objectives?		
Overall Comments		
Use the following rating scale for assessments:		
Highly satisfactory (HS = 6)		
Satisfactory (S = 5)		
Moderately satisfactory; (MS = 4)		
Moderately unsatisfactory (MU = 3)		
Unsatisfactory (U = 2)		
Highly unsatisfactory (HU = 1)		
Unable to assess (UA)		
Supervision Quality Parameter (only ratings need to be included)		Rating
Part A. Context (this section assesses project quality at entry^b)		
	Parameter and performance explanation	Rating
(a)	Assessment of project design at entry	
(b)	Assessment of quality of logframe or results framework to achieve the direct objectives, including realism of causal links between the project's inputs, activities, outputs, and intended outcomes	
(c)	Quality of arrangements for M&E (including clarity and precision of the performance indicators to assess progress and outcomes and availability of baseline data)	
(d)	Adequacy of measures incorporated in the project design to address policy constraints	
(e)	Host government commitment to the project	
(f)	Extent of integration and quality of fiduciary and safeguards aspects in project design	
(g)	Quality of institutional framework for the project (consider the adequacy of the institutional assessment and the appropriateness and realism of the institutional capacity building measures and TA arrangements).	
(h)	Quality of risk assessment and management	
(i)	Major issues affecting project implementation	
(j)	Residual risks affecting project implementation at the time of the review	
(k)	Changes made in the project design prior to the assessment period	
(l)	Changes made in the project design during the assessment period and the reasons why it was required	
Part B. Supervision Ratings		
1.	Focus on results	
1.1	Identification and assessment of problems (<i>assess performance on this parameter based on timely identification and assessment of implementation problems and potential threats to global environmental objectives</i>)	
1.2	Focus on sustainability (<i>extent to which supervision paid attention to this aspect through emphasis on host country and stakeholder ownership; and technical assistance, training, and capacity building</i>)	

- 1.3 Actions taken and follow-Up during the assessment period (*this assessment should take into account subparameters such as appropriateness of advice and proposed solutions; appropriateness and speed of Implementing Agency follow-up action; impact and effectiveness of Implementing Agency actions; quality and timeliness of midterm review [if any]; and quality and timeliness of restructuring plan [if any]*)
 - (a) Quality and timeliness of midterm review (only rating).
- 1.4 Performance Monitoring (*this assessment should take into account the extent to which the task team made use of the global development objective and intermediate outcome indicators to assess the project's implementation, as reported in the PIR; and extent to which the indicators [both quantitative and qualitative] have been used to identify and address potential obstacles to the achievement of the global development objective [attention to long-term objective]*)
2. Fiduciary/safeguards aspects (*this assessment will take into account quality of oversight of procurement; financial management; governance, anticorruption, and legal aspects; environmental aspects; social aspects*)

(*For tracking of compliance with the GEF Council decision on incorporation of social science expertise in supervision of GEF projects when appropriate; responses for these questions need to be recorded. They will not be rated.*)

 - (a) Given the nature of the project was there a need to include a social scientist expert for providing supervision inputs?
 - (b) Did a social scientist expert provide supervision inputs—in what form?
 - (c) Did s/he participate in the supervision missions—if yes in how many out of...?
3. Adequacy of supervision inputs and processes
 - 3.1 Staffing (*for this assessment, take into account staff continuity and quality of supervision skill mix*)
 - 3.2 Supervision activities (*for this assessment, take into account the quality of mission preparation and effectiveness of time spent in the field; and if there was joint supervision with cofinanciers, quality of coordination and other supervision activities*)
 - 3.3 Quality of supervision documentation
 - 3.4 Effectiveness of relationships with government, donors, and other stakeholders
 - 3.5 Management inputs (*this assessment will take into account adequacy and speed of management attention and actions; adequacy of supervision budget; and effectiveness of budget use*)
 - (a) Adequacy and speed of management attention and actions (only rating)
 - (b) Adequacy of supervision budget (only rating)

Part C. Reporting

4. Candor and quality of project performance reporting
 - 4.1 Extent to which ratings reflect actual conditions
 - 4.2 Adequate explanation of ratings, and of any change in ratings
 - 4.3 Accuracy of ratings of project components and risk assessment
 - 4.5 Quality and timeliness of data (including intermediate outcome indicators) to support the key performance indicators

a. Quality at entry ratings are not aggregated with the Part B ratings.

Table C.2**Projects Reviewed for Quality of Supervision Assessment 2009**

GEF ID	Agency	Country	Focal area	Size	Name
1	UNDP	Morocco	BD	FSP	Transhumance for Biodiversity Conservation in the Southern High Atlas
6	UNDP	Brazil	CC	FSP	Hydrogen Fuel Cell Buses for Urban Transport
260	UNDP	Regional	BD	FSP	Southern Africa Biodiversity Support Programme
503	UNDP	Paraguay	BD	FSP	Paraguayan Wildlands Protection Initiative
668	UNDP	Bangladesh	BD	FSP	Coastal and Wetland Biodiversity Management at Cox's Bazar and Hakakuki Haor
805	UNDP	South Africa	CC	MSP	Solar Water Heaters (SWHs) for Low-income Housing in Peri-Urban Areas
865	UNDP	Iran	BD	MSP	Conservation of the Asiatic Cheetah, its Natural Habitat and Associated Biota
885	UNEP	Regional	IW	FSP	Reversing Environmental Degradation Trends in the South China Sea and Gulf of Thailand
943	WB	China	CC	FSP	Renewable Energy Scale Up Program (CRESP), Phase 1
975	UNDP	Regional	CC	FSP	Accelerating Renewable Energy Investments through CABEL in Central America
1022	UNEP	Regional	MF	FSP	Integrated Ecosystem Management of Transboundary Areas between Niger and Nigeria Phase I: Strengthening of Legal and Institutional Frameworks for Collaboration and Pilot Demonstrations of IEM
1025	UNEP	Regional	BD	FSP	In Situ/On Farm Conservation and Use of Agricultural Biodiversity (Horticultural Crops and Wild Fruit Species) in Central Asia
1030	UNDP	Vietnam	BD	MSP	Making the Link: The Connection and Sustainable Management of Kon Ka Kinh and Kon Cha Rang Nature Reserves
1092	WB	Regional	BD	FSP	Integrated Ecosystem Management in Indigenous Communities
1137	UNDP	Georgia	CC	FSP	Promoting the Use of Renewable Energy Resources for Local Energy Supply
1169	UNDP	Syria	BD	FSP	Biodiversity Conservation and Protected Area Management
1178	WB	Burkina Faso	MF	FSP	Sahel Integrated Lowland Ecosystem Management (SILEM), Phase I
1258	UNEP	Regional	BD	FSP	Enhancing Conservation of the Critical Network of Sites of Wetlands Required by Migratory Waterbirds on the African/Eurasian Flyways.
1259	UNEP	Regional	BD	FSP	In-situ Conservation of Crop Wild Relatives through Enhanced Information Management and Field Application
1329	UNEP	Global	LD	FSP	Land Degradation Assessment in Drylands (LADA)
1515	IDB	Honduras	BD	FSP	Consolidation of Ecosystem Management and Biodiversity Conservation of the Bay Islands
1532	WB	Philippines	CC	FSP	Electric Cooperative System Loss Reduction Project
1590	WB	Namibia	MF	FSP	Integrated Ecosystem Management in Namibia through the National Conservancy Network
1591	UNEP	Regional	IW	FSP	Regional Program of Action and Demonstration of Sustainable Alternatives to DDT for Malaria Vector Control in Mexico and Central America

GEF ID	Agency	Country	Focal area	Size	Name
1666	UNEP	Kenya	LD	MSP	Development and Implementation of a Sustainable Resource Management Plan for Marsabit Mountain and its associated Watersheds
1780	UNEP	Kenya	CC	MSP	Joint Geophysical Imaging (JGI) Methodology for Geothermal Reservoir Assessment
1842	UNEP	Global	BD	MSP	Indigenous Peoples' Network for Change
1848	IFAD	Kenya	MF	FSP	Mount Kenya East Pilot Project for Natural Resource Management (MKEPP)
1855	WB	Chad	MF	FSP	Community-Based Ecosystem Management Project
1892	WB	China	CC	FSP	Heat Reform and Building Energy Efficiency Project
2019	WB	Colombia	CC	FSP	Integrated National Adaptation Plan: High Mountain Ecosystems, Colombia's Caribbean Insular Areas and Human Health (INAP)
2104	UNDP	Belarus	BD	FSP	Catalyzing Sustainability of the Wetland Protected Areas System in Belarusian Polesie through Increased Management Efficiency and Realigned Land Use Practices
2117	WB	Bulgaria	CC	FSP	Energy Efficiency Project
2175	UNEP	Regional	LD	MSP	Support to the Implementation of the Regional Environmental Action Plan in Central Asia
2188	UNDP	Regional	IW	MSP	East Asian Seas Region: Development and Implementation of Public Private Partnerships in Environmental Investments
2193	UNDP	Global	LD	MSP	Enabling Sustainable Dryland Management Through Mobile Pastoral Custodianship
2358	WB	Bhutan	LD	FSP	Sustainable Land Management
2374	WB	Vietnam	CC	FSP	Rural Energy II
2396	UNEP	Regional	BD	MSP	Dryland Livestock Wildlife Environment Interface Project (DLWEIP)
2443	WB	Mexico	BD	FSP	Environmental Services Project
2648	UNEP	Tunisia	BD	MSP	Capacity Building for the Implementation of the National Biosafety Framework
2686	IDB	Regional	BD	FSP	Integrated Management of the Montecristo Trinational Protected Area
2750	WB	China	IW	FSP	Ningbo Water and Environment Project - under WB/GEF Partnership Investment Fund for Pollution Reduction in the LME of East Asia
2752	UNEP	Regional	CC	MSP	Integrating Vulnerability and Adaptation to Climate Change into Sustainable Development Policy Planning and Implementation in Southern and Eastern Africa
2759	WB	Philippines	IW	FSP	Manila Third Sewerage Project (MTSP) - under WB/GEF Partnership Investment Fund for Pollution Reduction in the LME of East Asia
2889	WB	Mozambique	MF	FSP	Zambezi Valley Market Led Smallholder Development
3181	UNDP	Global	IW	MSP	Pollution Reduction through Improved Municipal Wastewater Management in Coastal Cities in ACP Countries with a Focus on SIDS

Note: WB = World Bank; BD = biodiversity; CC = climate change; IW = international waters; LD = land degradation; MF = multifocal.

Annex D. Methodological Notes on the Performance Matrix

This annex briefly describes the considerations taken into account for each of the performance matrix's 13 parameters.

D.1 Project Outcomes

The figures on project outcomes are four-year moving averages based on the terminal evaluation reports submitted in the preceding years, including the fiscal year for which the APR is being presented; the figures presented in this year's APR are based on the terminal evaluation reports submitted during FY 2006, 2007, 2008, and 2009. The aggregate figures are weighted averages, with each project considered to have equal weight.

D.2 Quality of Supervision and Adaptive Management

The figures presented on quality of supervision and adaptive management are based on the findings of the follow-up assessment of project supervision presented in this APR (FY 2009). The projects considered for this assessment were under implementation during FY 2007 and 2008.

D.3 Project Preparation Elapsed Time

The figures presented for project preparation elapsed time will indicate average number of months required to prepare projects. The data on this parameter will be provided by the Agencies and the GEF Secretariat database. These figures

will be updated biennially. This year, no figures are provided for this parameter yet.

D.4 Project Implementation Completion Delays

The information presented in the terminal evaluation reports is the primary source for this parameter. The figures for implementation completion delays are four-year averages and are based on the information provided in the terminal evaluation reports. The figures presented in this year's APR are based on the terminal evaluation reports submitted during FY 2006, 2007, 2008, and 2009.

D.5 Materialization of Cofinancing

The figures for materialization of cofinancing pertain to projects whose terminal evaluation reports were submitted to the Office during FY 2005, 2006, 2007, and 2008. The analysis is based on the information provided by the Agencies in the terminal evaluation reports or through other communications. These figures have not been verified.

D.6 Independence of Agency Evaluation Units

Broadly, the assessment provided on this parameter will be based on self-reporting by the Agencies and peer reviews carried out in the context of the Evaluation Cooperation Group of the Banks and the United Nations Evaluation Group. The charter and mandate of the various evaluation units will

also provide evidence of their degree of independence. No ratings are provided on this parameter this year. The GEF Evaluation Office had started a consultation process with the evaluation units of the GEF Agencies to define an appropriate way forward in assessing their independence. However, performance on this parameter is yet to be rated.

D.7 Independence of Terminal Evaluations

Independence of terminal evaluations is appraised through the assessment of the process followed for conducting terminal evaluations through field verification and based on interviews with relevant staff and consultants of the partner Agencies. This allows the Office to assess the extent to which systems in the partner Agencies are conducive to unbiased and candid terminal evaluations. Independence of terminal evaluations is rated on a six-point scale on which a 1 is highly unsatisfactory and a 6 is highly satisfactory. The following dimensions are assessed to provide ratings on this parameter:

- Extent to which the drafting of the terms of reference is independent of the project management team
- Extent to which the recruitment of the evaluator was independent of the project management team
- Extent to which the Agency recruited the appropriate evaluator for the project
- Extent to which the evaluator had adequate resources (budget and time) to carry out the evaluation
- Extent to which the M&E system provides access to timely and reliable information
- Extent to which there was any undue pressure from management on the evaluators regarding the evaluation process (for example, in terms of site selection, selection of informants,

confidentiality during interviews, information disclosure, and ratings)

- Extent to which the evaluation was subjected to an independent review process

D.8 Realism of Risk Assessment

The figures for realism of risk assessment are based on the findings of the follow-up assessment of project supervision for candor and realism of supervision reporting presented in this APR. The projects considered for this assessment were under implementation during FY 2007 and 2008.

D.9 Robustness of Program Result Indicators and Tracking Tools

The assessment of robustness of program result indicators and tracking tools will remain unreported in the 2009 APR. Given the highly specialized and technical nature of this assessment, this has proved to be a difficult undertaking. More work is required before performance can be rated on this parameter.

D.10 Quality Assurance of Project M&E Arrangements at Entry

An assessment of quality assurance of project M&E arrangements at entry was carried out in the 2005 APR. It was based on a review of the M&E plans of the project appraisal documents that were endorsed by the GEF CEO in that fiscal year. In FY 2008, the Evaluation Office updated the ratings on this parameter based on the findings of a follow-up assessment.

D.11 Quality of Project M&E during Implementation

Figures on quality of project M&E during implementation are based on review of the terminal evaluation reports submitted to the Evaluation

Office. The figures need to be four-year running averages of the percentage of projects rated moderately satisfactory or above in M&E during implementation. The figures reported in the matrix are a weighted average, with each project having an equal weight, of the data from the review of the reports submitted during FY 2006, 2007, 2008, and 2009.

D.12 Quality of Project Terminal Evaluation

Figures on quality of terminal evaluation reports are based on the ratings provided by the Evaluation Office after their review. For this parameter, two-year running averages are used, with each project having an equal weight. The figures presented in the matrix pertain to FY 2008 and 2009.

D.13 Quality of Learning: Improvement in Performance

The performance matrix presents an assessment of the improvement demonstrated by GEF

Agencies and entities on the other 12 parameters included in the performance matrix. This section of the matrix is accompanied by a narrative that explains the areas in which learning has taken place and will identify the specific changes or factors that have contributed to improved performance. Ratings on improvement in performance on individual dimensions will be provided using the following scale:

- **4**—significantly improved or maintained excellent performance
- **3**—marginally improved or maintained good performance
- **2**—marginally deteriorated or maintained mediocre performance
- **1**—significantly deteriorated or maintained poor performance

In this performance matrix, improvements on four of the dimensions included in the matrix have been tracked.

Annex E. Agency Fee Calculations

The estimates of GEF support to the Agencies (UNDP, UNEP, and the World Bank) in this annex are primarily based on the corporate budget utilization data provided in the annual business plans presented to the GEF Council. Where actual support figures were not available, other approximations have been used. For example, for the period FY 1991–93, the figures provided in *Global Environment Facility: Independent Evaluation of the Pilot Phase* were used (UNDP, UNEP, and World Bank 1994); in other instances, the budget allocation figures provided in the annual business plans were used. The Agency fee figures provided in this annex pertain to support from GEF funding. There could be instances where some of the Agency costs pertaining to GEF projects/activities were borne by an Agency or where it experienced savings. Such instances have not been addressed because they are difficult to establish and track. Figures have been adjusted for inflation to facilitate comparisons across periods, especially in light of the one-off payment made during the end of the first period.

Approvals for UNDP exclude the Small Grants Programme. The effect of support to the SGP through the GEF corporate budget to UNDP from 1991 to 2007 is not presented in table E.1. The overall findings do not change even when the SGP effect is addressed.

The estimated Agency fees for UNDP and UNEP do not take into account the costs that were met from the project budget, especially during the pilot phase for both UNDP and UNEP and for FY 2008–09 for UNEP. Since these costs are likely to be substantial, the total cost figures in such instances have been presented with appropriate caveats.

Data on project approvals and the corresponding project fees were downloaded from the GEF PMIS.

The figures on corporate budget, project fees, one-off payments, estimated total Agency costs, and approved project grants reported in tables E.1, E.2, and E.3 are, as noted, inflation adjusted. To derive the nominal figures, the respective figures need to be divided by the inflation adjuster provided in the tables.

Table E.1**UNDP Agency Fee Calculations (inflation adjusted; million \$)**

Year	Inflation adjuster	Corporate budget	Project fee	One-off payment	Estimated total Agency costs	Approved project grants	Aggregate costs for the period	Aggregate approvals for the period
1991	1.59	4.83	0	0	4.83	115.75	83.56	1,098.91
1992	1.54	4.68	0	0	4.68	175.81		
1993	1.50	4.56	0	0	4.56	67.70		
1994	1.46	6.53	0	0	6.53	11.72		
1995	1.42	7.72	0	0	7.72	37.55		
1996	1.38	8.45	0	0	8.45	55.76		
1997	1.35	8.48	0	0	8.48	205.31		
1998	1.33	8.79	0	0	8.79	189.50		
1999	1.30	9.4	0	20.09	29.52	239.81		
2000	1.26	3.10	19.56	0	22.66	215.29	125.33	1,153.71
2001	1.22	3.09	16.26	0	19.35	190.40		
2002	1.20	3.13	10.10	0	13.22	85.33		
2003	1.18	3.17	19.87	0	23.04	202.28		
2004	1.15	3.17	19.85	0	23.02	273.83		
2005	1.11	3.16	20.88	0	24.04	186.58	53.42	4,32.41
2006	1.07	3.14	22.26	0	25.40	212.80		
2007	1.04	3.05	24.97	0	28.02	219.61		
2008	1.01	0.00	29.73	0	29.73	303.35	46.98	477.22
2009	1.00	0.00	17.25	0	17.25	173.87		

Table E.2**UNEP Agency Fee Calculations (inflation adjusted; million \$)**

Year	Inflation adjuster	Corporate budget	Project fee	One-off payment	Estimated total Agency costs	Approved project grants	Aggregate costs for the period	Aggregate approvals for the period
1991	1.59	1.89	0.00	0.00	1.89	0.00	24.52	123.41
1992	1.54	1.83	0.00	0.00	1.83	14.94		
1993	1.50	1.78	0.00	0.00	1.78	4.95		
1994	1.46	2.54	0.00	0.00	2.54	8.76		
1995	1.42	2.31	0.00	0.00	2.31	11.076		
1996	1.38	2.35	0.00	0.00	2.35	0.00		
1997	1.35	2.71	0.00	0.00	2.71	20.17		
1998	1.33	2.80	0.00	0.00	2.80	30.14		
1999	1.30	3.08	0.00	3.24	6.32	33.38		
2000	1.26	3.22	2.96	0.00	6.18	24.37	55.62	435.43
2001	1.22	3.03	5.57	0.00	8.60	105.68		
2002	1.20	3.06	6.20	0.00	9.26	67.72		
2003	1.18	3.11	8.49	0.00	11.60	80.06		
2004	1.15	3.10	7.12	0.00	10.22	76.20		
2005	1.11	3.10	6.66	0.00	9.76	81.40		
2006	1.07	3.08	4.66	0.00	7.74	52.50	17.77	130.68
2007	1.04	2.99	7.04	0.00	10.03	78.18		
2008	1.01	0.00	5.44	0.00	5.44	54.90	10.14	102.00
2009	1.00	0.00	4.70	0.00	4.70	47.10		

Table E.3**World Bank Agency Fee Calculations (inflation adjusted; million \$)**

Year	Inflation adjuster	Corporate budget	Project fee	One-off payment	Estimated total Agency costs	Approved project grants	Aggregate costs for the period	Aggregate approvals for the period
1991	1.59	11.58	0.00	0.00	11.58	302.19	236.89	2,182.72
1992	1.54	11.21	0.00	0.00	11.21	278.17		
1993	1.50	10.92	0.00	0.00	10.92	141.22		
1994	1.46	17.76	0.00	0.00	17.76	0.00		
1995	1.42	20.00	0.00	0.00	20.00	199.39		
1996	1.38	22.45	0.00	0.00	22.45	350.04		
1997	1.35	22.63	0.00	0.00	22.63	320.36		
1998	1.33	25.55	0.00	0.00	25.55	254.28		
1999	1.30	26.10	0.00	68.69	94.79	337.07		
2000	1.26	3.22	26.85	0.00	30.07	344.40	209.91	1,958.07
2001	1.22	3.46	28.32	0.00	31.78	321.80		
2002	1.20	3.51	37.27	0.00	40.78	303.84		
2003	1.18	3.51	33.13	0.00	36.64	323.48		
2004	1.15	3.51	36.23	0.00	39.74	362.43		
2005	1.11	3.50	27.40	0.00	30.90	302.12	89.53	881.10
2006	1.07	3.48	24.32	0.00	27.80	262.56		
2007	1.04	3.38	58.35	0.00	61.73	618.54		
2008	1.01	0.00	18.31	0.00	18.31	183.49	28.28	294.47
2009	1.00	0.00	9.97	0.00	9.97	110.98		

Annex F. Management Response

This annex presents the management response to this report, which was presented to the GEF Council in June 2010 as GEF/ME/C.38/4. Minor editorial corrections have been made.

The Secretariat welcomes the sixth GEF Annual Performance Report (APR) 2009 prepared by the GEF Evaluation Office. The report provides a series of useful insights that can contribute to portfolio management at the GEF. The performance matrix, which summarizes the performance of the GEF Agencies and the GEF Secretariat on various parameters tracked by the Office, is a useful guide for tracking progress toward recommendations presented in the report.

The Secretariat notes the report's conclusion that the outcome achievement ratings of completed projects during FY 2009 bypass the target of 75 percent satisfactory outcomes, at 91 percent. While this is higher than the long-term average of 83 percent, it is important, as noted in the report, not to assume long-term trends since the figures are based on a sample of projects that have submitted evaluations during any one fiscal year.

The Secretariat welcomes the detailed study on cofinancing from the terminal evaluations and supports further analysis of this issue. The last Council decision on cofinancing was made in 2002 and, given the analysis presented through the APR, the Secretariat should work together

with the Agencies and Scientific and Technical Advisory Panel to update the current cofinancing policy, taking into account the findings from this year's APR.

The Secretariat welcomes the finding that the quality of supervision by the three major GEF Agencies—the World Bank, UNDP, and UNEP—has overall slightly increased to moderately satisfactory or above for 85 percent of their projects. The Secretariat is encouraged by the continuity of the World Bank's and UNDP's high performance and the significant improvement in UNEP's quality of supervision.

The Secretariat acknowledges the disadvantages faced by Agencies with a portfolio that consists mostly of MSPs and/or enabling activities versus those with mostly FSPs. However, the assessment does not take into account actual Agency costs, and these should be considered if the fee policy is to be updated. It should also be noted that the flat rate reduces transaction costs. Before moving forward on any fee reform, a more robust analysis should be undertaken. The inclusion of Agencies' administrative costs in the 2009 Annual Monitoring Report could help inform any further analysis.

The Secretariat also notes the increase in the percentage of projects delayed in time for closure in FY 2009, and would like to see an analysis of the recurring reasons causing such delays. The

Secretariat further acknowledges the correlation between the quality of M&E arrangements and the actual quality of monitoring during implementation apparent after the GEF M&E Policy of 2006.

The Secretariat notes the low compliance of the Agencies' submission of terminal evaluations within 12 months of closure. Over the past

two years, the Secretariat has collected information from Agencies on closed projects; these lists should improve the Evaluation Office's ability to track projects for which terminal evaluations have not been submitted. The Secretariat welcomes the APR's recommendation to work together with the Evaluation Office and Agencies in identifying and implementing measures to better track project status through the database.

References

The GEF publications and Council documents (the latter indicated with the designation "GEFC.xx") cited here are available on the GEF Web site, www.thegef.org, under the Documents & Publications tab. GEF Evaluation Office documents can be found on the GEF Evaluation Office Web site, www.gefeo.org, under Evaluations & Studies and in the online documents database ASK ME.

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GEF Evaluation Office Publications

Number	Title	Year
Evaluation Reports		
56	GEF Impact Evaluation of the Phaseout of Ozone-Depleting Substances in Countries with Economies in Transition, Volumes 1 and 2	2010
55	GEF Annual Impact Report 2009	2010
54	OPS4: Progress Toward Impact—Fourth Overall Performance Study of the GEF, Full Report	2010
53	OPS4: Progress Toward Impact—Fourth Overall Performance Study of the GEF, Executive Version	2010
52	GEF Country Portfolio Evaluation: Syria (1994–2008)	2009
51	GEF Country Portfolio Evaluation: Egypt (1991–2008)	2009
50	GEF Annual Country Portfolio Evaluation Report 2009	2009
49	GEF Annual Performance Report 2008	2009
48	GEF Annual Impact Report 2008	2009
47	Midterm Review of the Resource Allocation Framework	2009
46	GEF Annual Report on Impact 2007	2009
45	GEF Country Portfolio Evaluation: Cameroon (1992–2007)	2009
44	GEF Annual Country Portfolio Evaluation Report 2008	2008
43	GEF Country Portfolio Evaluation: South Africa (1994–2007)	2008
42	GEF Country Portfolio Evaluation: Madagascar (1994–2007)	2008
41	GEF Country Portfolio Evaluation: Benin (1991–2007)	2008
40	GEF Annual Performance Report 2007	2008
39	Joint Evaluation of the GEF Small Grants Programme	2008
38	GEF Annual Performance Report 2006	2008
37	GEF Country Portfolio Evaluation: Samoa (1992–2007)	2008
36	GEF Country Portfolio Evaluation: The Philippines (1992–2007)	2008
35	Evaluation of the Experience of Executing Agencies under Expanded Opportunities in the GEF	2007
34	Evaluation of Incremental Cost Assessment	2007
33	Joint Evaluation of the GEF Activity Cycle and Modalities	2007
32	GEF Country Portfolio Evaluation: Costa Rica (1992–2005)	2007
31	GEF Annual Performance Report 2005	2006
30	The Role of Local Benefits in Global Environmental Programs	2006
29	GEF Annual Performance Report 2004	2005
28	Evaluation of GEF Support for Biosafety	2006
	Third Overall Performance Study	2005
	GEF Integrated Ecosystem Management Program Study	2005
	Biodiversity Program Study	2004
	Climate Change Program Study	2004
	International Waters Program Study	2004
Evaluation Documents		
ED-3	Guidelines for GEF Agencies in Conducting Terminal Evaluations	2008
ED-2	GEF Evaluation Office Ethical Guidelines	2008
ED-1	The GEF Evaluation and Monitoring Policy	2006



Global Environment Facility
Evaluation Office
1818 H Street, NW
Washington, DC 20433
USA

www.gefeo.org