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GLOBAL ENVIRONMENT FACILITY

Independent Evaluation of the Pilot Phase

Global Environment Facility

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United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), and the World Bank

The World Bank
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Foreword

The Global Environment Facility (GEF) began its three-year pilot phase in 1991, nearly 20 years after the international community's first efforts to address concerns about the global environment.

The GEF was envisaged as a collaborative international effort that would identify and support innovative environmental protection activities. A partnership was forged in 1991 with the joint creation of the GEF pilot phase by the United Nations Environmental Programme (UNEP), the United Nations Development Programme (UNDP), and the World Bank. The three agencies operate under the policy direction of the GEF participants, a governing body of country representatives.

During the pilot phase, the GEF has focused on protecting biodiversity, reducing global warming, protecting international waters, and decreasing ozone depletion. As of June 30, 1993, an estimated $939 million from the GEF trust fund and cofinancing had been allocated to program activities in these four focal areas and to related program support and administrative costs. One hundred and twelve country, regional, and global projects—involving 63 countries—had been endorsed by the participants.

At their December 1992 meeting in Abidjan, GEF participants requested an independent evaluation of the pilot phase to be completed in time for their meeting in December 1993. The evaluation is part of the effort to learn from the experience of the pilot phase to guide future planning for the GEF. The Terms of Reference for the evaluation (see annex) were approved by the participants in March 1993; the "Report of the Independent Evaluation of the Global Environment Facility Pilot Phase" was sent to the participants in November 1993 and discussed at their December meeting in Cartagena.

Because of the unusual organizational structure of the GEF (three implementing agencies with a number of cross-cutting interests), the evaluation was conducted by three separate evaluation teams, each with its own coordinator and staff. The team leaders and coordinator reported to senior evaluation managers in each of the three implementing agencies. The evaluation managers were responsible for the administration of the evaluation, the selection of evaluation staff, budget and administrative support, and interagency cooperation. They were also entrusted with ensuring that the evaluation was responsive to the Terms of Reference.

At the participants' request, an independent panel of experts—chaired by Dr. Alvaro Umaña—was formed to provide strategic guidance and to guarantee that the evaluation was independent, complete in its coverage, and forthright in its recommendations. This panel of seven experts also served as a channel for obtaining the views of nongovernmental organizations (NGOs) working on global environment issues. The panel's report on the evaluation appears at the end of this volume. Another annex provides a full list of the evaluators, evaluation managers, and members of the Independent Panel of Experts.

The review took evaluators to 22 countries to visit 31 projects. Files for 62 other projects were reviewed. Information was gathered from questionnaires and meetings with participants, GEF staff, NGO representatives, agency country representatives, and recipient country officials. The evaluators did not carry out multidisciplinary project evaluations of individual projects since most of the projects were still in the design stage, undergoing modifications, or just beginning to be implemented.

We encourage all the agencies, organizations, and individuals involved with the future planning, implementation, and management of the GEF to draw on this important report and its recommendations, so that the GEF can move closer to achieving its central objective—mobilizing worldwide participation to protect the global environment.

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UNDP	UNEP	The World Bank

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Acronyms and Initials

AFR	Africa
AIB	Activity Initiation Brief (UNDP)
AWGGWE	Ad Hoc Working Group on Global Warming and Energy
BIO	Biodiversity
BPPE	Bureau for Programme Policy and Evaluation (UNDP)
BTF	Bhutan Trust Fund for Environment Conservation
CFCs	Chlorofluorocarbons
CIDA	Canadian International Development Agency
CD	Country Department (World Bank)
CSFR	Czech and Slovak Federal Republics
CY	Calendar Year
DANIDA	Danish International Development Agency
DSM	Demand-Side Management
ECA/MENA	Europe and Central Asia/Middle East and Northern Africa
ENRG	Environment and Natural Resources Group (UNDP)
ENV	Environment Department (World Bank)
ENVGC	Global Environment Operations Coordination Division (World Bank)
FAO	Food and Agriculture Organization of the United Nations
FCCC	Framework Convention on Climate Change
FEPS	Final Executive Project Summary
FINNIDA	Finnish International Development Agency
FY	Fiscal Year
GDP	Gross Domestic Product
GEF	Global Environment Facility
GEOCOM	Global Environment Operations Steering Committee (World Bank)
GET	Global Environment Trust Fund
GNP	Gross National Product
GW	Global Warming
HQ	Headquarters
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Inter-American Development Bank
IEF	International Environmental Facility
IEPS	Initial Executive Project Summary
IFC	International Finance Corporation

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IMO	International Maritime Organization
IOI	International Oceanic Institute
IPCC	Intergovernmental Panel on Climate Change
IPE	Independent Panel of Experts
IPF	Indicative Planning Figure
IUCN	International Union for Conservation of Nature and Natural Resources (now World Conservation Union)
IWP	International Waters Protection
LAC	Latin America and the Caribbean
LME	Large Marine Ecosystem
MFMP	Multilateral Fund for the Montreal Protocol
NGOs	Non-Governmental Organizations
NIS	Newly Independent States
OD	Operational Directive (World Bank)
ODA	Overseas Development Administration (UK)
ODS	Ozone Depleting Substances
OECF	Overseas Economic Cooperation Fund
OECD	Organization for Economic Cooperation and Development
OPS	Office of Project Services (UNDP)
OTF	Ozone Trust Fund
PA	Participants Assembly
PAC	Interbureau Project Appraisal Committee (UNDP)
PPA	Project Preparation Advance
PREC	Project Review and Evaluation Committee (UNEP)
PRIF	Pre-Investment Facility
PRINCE	Program for Measuring Incremental Costs for the Environment
RDB	Regional Development Bank
RED	Regional Environment Division (World Bank)
RVP	Regional Vice President (World Bank)
SCP	Socio-Cultural Profile (World Bank)
SDC	Swiss Development Corporation
SDR	Special Drawing Rights
SGP	Small Grants Programme
SOD	Sector Operations Division (World Bank)
STAP	Scientific and Technical Advisory Panel
TD	Technical Department (World Bank)
TM	Task Manager (World Bank)
TOR	Terms of Reference
TRP	Technical Review Panel (World Bank)
UNCED	United Nations Conference on the Environment and Development
UNCLOS	United Nations Convention on the Law of the Sea
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Education Scientific and Cultural Organization
UNIDO	United Nations Industrial and Development Organization
USAID	United States Agency for International Development
WRI	World Resources Institute
WWF	World Wildlife Fund

Executive Summary

Introduction

In October 1991, the tripartite agreement "Operational Cooperation under the Global Environment Facility" was signed. This agreement formally established the Global Environment Facility (GEF) and specified the responsibilities of each of the three implementing agencies—UNEP, UNDP, and the World Bank. The responsibility for the Global Environment Trust Fund (GET) and chairmanship of the Facility were entrusted to the World Bank.

The GEF was foreseen as a three-year pilot initiative (July 1991 to June 1994), funded at one billion Special Drawing Rights (roughly US$1.2 billion). It was to focus on the protection of biodiversity, reduction of global warming, protection of international waters, and reduction of the depletion of the ozone layer. The funds would be additional to regular development assistance and provided as untied grants or on highly concessional terms to countries with a per capita Gross National Product under US$4,000 in 1989 on condition that they have a UNDP program. The GEF would be guided by an international Scientific and Technical Advisory Panel of Experts (STAP). Project funding would be limited to financing the incremental costs required to achieve global benefits.

In the course of the two years since the GEF was established, the implementing agencies have proposed and the participants have authorized, as of June 30, 1993, US$712.1 million of the GET funds for 112 projects for direct assistance to 63 countries. At least 54 countries are expected to participate in regional GEF programs. In addition, the GEF has allocated funds for the Small Grants Programme (SGP) (US$10 million), the Program for Measuring Incremental Cost for the Environment (US$2.6 million), and the Pre-Investment Facility (PRIF) and Project Preparation Advances (PPA) (US$22.4 million). Two-thirds of the projects and 80 percent of the funding were authorized in time for the United Nations Conference on the Environment and Development in June 1992. All funding was authorized by the end of the second fiscal year (May 1993).

The allocation of GEF resources by focal area for the pilot phase is: for biodiversity, 48 percent of the projects and 43 percent of the funding; for global warming, 38 percent of the projects and 40 percent of the funding; for international waters, 12 percent of the projects and 16 percent of the funding; and for ozone depletion, 2 percent of the projects and 1 percent of the funding. These shares approximate those originally set by the initial planning group, although funding for biodiversity programs exceeded targets while funding for global warming fell below targets. (Chapter 3 provides statistics on the distribution of pilot phase funds by focal area, region, implementing agency, project size, project processing and approvals, cofinancing, allocations and free-standing projects, and pre-investment facilities.)

This profile of the GEF pilot phase defines the scope of the evaluation requested by the participants in December 1992 to be completed in time for their meeting in December 1993. The evaluation was carried out by three teams and a coordinator selected by the implementing agencies. The teams included 22 full- and part-time evaluators and support staff with experience in international development, GEF-related programs, developing countries, and with the implementing agencies. Teams worked under the direction of the evaluation managers of the three implementing agencies and with the guidance of the Independent Panel of Experts. (See Annex 1 for the names of the evaluators, the evaluation managers, and members of the Independent Panel of Experts.) The evaluators carried out field visits for 31 projects in 22 countries and reviewed files for 62 projects. Information was also provided from a number of questionnaires and meetings with GEF staff and nongovernmental organization (NGO) representatives, participants, agency country representatives, and other agency officials. The evaluators did not carry out multidisciplinary project evaluations of individual projects; most of the projects are still in the design stage and undergoing modifications. The review of the projects attempted to identify patterns that would help inform the evaluators about project development processes. The Terms of Reference for the evaluation are included in Annex 1A of the report. The evaluation is based on information available *as of June 30, 1993*, although an attempt has been made to update the data to the extent possible.

The Origins of the GEF

The origins of the GEF extend back to the 1973 work of the United Nations Environment Programme (UNEP) on defining global environmental issues. Subsequently, in 1987 the World Commission on Environment and Development (Brundtland Report) recommended that attention be given to setting up "a special international banking program or facility...to finance investments in conservation projects and national strategies" that would enhance the resource base for development. In September 1989, a proposal was put forward by the French representative at the Development Committee meeting to establish an environment facility. Germany tabled a similar proposal. The World Bank was requested to assess the requirements for additional funding and explore the potential for donor support for addressing global environmental concerns in developing countries. Following a series of meetings with the donor community, several developing countries, UNDP, and UNEP, the World Bank put forward a memorandum embodying a formal resolution for board approval to establish the GEF. This document was later known as the Enabling Memorandum. The proposal was approved on March 14, 1991. In October 1991, the implementing agencies signed the tripartite agreement for "Operational Cooperation under the Global Environment Facility," which formally established the GEF pilot phase.

Expectations

It was generally felt among individuals and groups concerned about the global environment that an entity like the GEF was needed to cover areas that remained outside the purview of existing institutions. They looked to the Facility as a medium for identifying path-breaking and exploration activities to guide future work and help protect the global environment through collaborative international efforts.

From the donors' perspective, it was important to enlist the cooperation of the developing countries in this effort. The donors viewed the

Facility as having resources that would be additional to regular development assistance, and as addressing concerns over and above what the donors were already doing for the benefit of the environment. They expected the implementing agencies to collaborate closely in the new initiative, each according to its "comparative advantage." Specifically, they hoped that the GEF would introduce innovative approaches, serve as a catalyst for additional resources for global environmental issues, address institutional weaknesses, and integrate projects into consistent national and regional environmental strategies. The GEF was expected to be transparent, promote participation and consultation with affected and interested parties, use independent scientific and technical know-how and experience, and define a creative role for the private sector.

Developing countries' views reflected in broad terms those of the donors on local participation, support of policy formulation and institutional strengthening, and mobilization of resources. Their specific concerns focused on the need for a clearer definition of global and national benefits, incremental costs, the need for transparency, and participation in the GEF policy and program formulation to better reflect their own environmental and development priorities.

Clearly, the developing countries' perspective on the GEF is mixed. However, their increasing participation in the GEF attests to a generally positive outlook on the Facility. They realize that the GEF is at present, and probably will remain in the near future, the main financial mechanism providing substantial funding to deal with environmental problems, in addition to the existing bilateral and multilateral development assistance programs. On the other hand, there are some negative views that need to be identified and assessed for the purposes of informative debate. These negative views of the GEF appear to center on: (a) the association of the GEF with the World Bank as an instrument of conditionality; (b) the focal areas as the priorities of the donors and not necessarily those of the developing countries; (c) the GEF policy of only funding "incremental costs;" (d) the inadequate efforts of the developed countries to adopt policies and life-styles that would decrease the pressure on environmental resources; and (e) the insufficient involvement of local communities and grassroots groups in the design of GEF interventions.

GEF Policies and Performance

The early planning for the GEF and the expectations of the developed and developing countries provided a framework of policy guidelines and requirements for the allocation of GEF resources and the selection and design of GEF projects. The main policy features of the GEF and the evaluators' conclusions, drawing on the analyses in several chapters, are summarized below.

Choice of Focal Areas and Allocations

The rationale for the selection of the four focal areas that have been defined for the GEF pilot phase is rather obscure in origin and can be traced to the World Bank and to a few developed countries' interests in "internationalizing" certain environmental problems. They represent areas that have been long the subject of environmentalists' concern. However, the overarching rationale for the GEF in its distinctive role of protecting the global environment has not been adequately defined and articulated. Moreover, the basis for the choice of focal areas and the guidelines for allocating GEF resources among them are not apparent.

Similarly, the global strategies for addressing the problems in the focal areas that constitute the primary responsibility of the GEF have not been developed. Thus, the criteria for the allocation of GEF resources set forth by STAP were arbitrary and not sufficiently spelled out to guide the implementing agencies. Although it is assumed that the biodiversity and global warming conventions will help fill this gap, the GEF experience during the pilot phase should be drawn on to help shape these strategies.

Choice of Regions and Countries
The projects in the pilot phase are nearly equally distributed among the four regions; the funding is somewhat higher for the Asia and Pacific Region owing to investments in three major projects in global warming and international waters. The desire to build up consensus and enlist support for the GEF among many developing countries was behind this attempt to achieve geographic balance. However important that objective was, it seems inconsistent with the very purpose of a facility that should be targeting the most important global environmental problems in developing countries, irrespective of geographical location.

Global Benefits and Incremental Costs
Global benefits have been described in most projects, although quantification of these benefits is often lacking or imprecise. In some instances, the benefits reflect inflated expectations. For technical assistance, the global benefits are indirect and qualitative.

The evaluators find that, while attractive in concept, the incremental cost principle: (a) has not been developed as a useful tool in assessing project eligibility or sizing GEF funding, which in many cases appears arbitrary; guidelines for its application in decisions on GEF project funding have not been developed and few project documents provide incremental cost calculations; (b) encourages a narrow project approach, when joined with the GEF project taxonomy, that fails to encompass the broader considerations of national policy, program strategies, and institutional capacities that are fundamental to achieving global benefits; (c) diverts attention from the analysis and significance of the global benefits and encourages too sharp a distinction between global and national benefits; and (d) weakens a sense of mutual responsibility for the protection of the global environment. In general, guidelines are needed that provide a relatively uniform approach to assessing global benefits and an acceptable methodology to quantify the incremental costs.

Innovation
Innovation was to have been a major factor in the selection of GEF activities. In the GEF context, innovation has been liberally interpreted to include any technology that had not been used in any developing country or in the developing country in which the technology was being introduced. This guideline was accompanied with the claim often made that the arrangement could be replicated in the same country or in similar countries after the model has been tested. Innovation in addressing policy constraints has also been proposed. Attention to innovation is highly appropriate for the GEF, provided the innovations are well thought-out and the experience is captured and extended to the interested countries. However, more work is required on defining what constitutes innovation (for example, cutting edge technologies) in the GEF focal areas. Further, the evaluators question the position that innovativeness should be dropped from the criteria. This feature should be one of the distinguishing features of the GEF, with further definition, examples, and dissemination.

STAP's Generic Criteria for Project Selection
Responding to a request by the implementing agencies, STAP presented a draft report on project selection guidelines in November 1991—"Criteria for Eligibility and Priorities for Selection of Global Environment Facility Projects." These guidelines included generic criteria for all focal areas as well as specific criteria for each of the four focal areas. On the generic criteria, STAP stated that "a project from any category of interventions can become eligible for consideration for GEF selection if

and only if it satisfies the generic criteria as a necessary condition for eligibility." Fourteen criteria have been specified.

Apart from listing the criteria, neither the GEF nor STAP has elaborated adequately on these criteria in ways that would help the operating staff understand their relative importance, or how they should be applied in the focal areas and applied in project design and implementation. The interpretation and application of these criteria would have been aided by more elaboration and illustration. These criteria have been applied mechanically in project selection and review processes and without adequate justification in most instances, in order to satisfy formally the "necessary conditions" for eligibility.

Additionality
The Enabling Memorandum stated that "funding for the GEF should, to the greatest extent possible, be additional to existing aid flows, and on grant or highly concessional terms." The emphasis on additionality was particularly important to the developing countries, which feared that the donors' contributions to the GEF in support of global benefits would reduce funds available for development assistance.

Additionality as a guiding criterion for the GEF is understandable and appropriate. However, it is an exceedingly difficult principle to evaluate in practical operations. At the country level, only the donor can judge whether its GEF contribution is part of or an addition to planned assistance for the country, especially in the case of cofinancing. How does one tell whether a donor's contribution to the GEF core fund or to cofinancing is additional to its overall budget for international assistance? The evaluators have not attempted to explore this question with the donors who have contributed to the GEF.

National and Regional Environmental Strategies
The existence of favorable country institutional and policy frameworks, or their development, was expected in the majority of cases where GEF projects were to be undertaken. Country environmental strategies, frameworks, and studies attending to some aspect or another of the environment exist for more than 130 countries. The quality of such documents varies greatly. However, where they exist, they have tended to lack the global dimension. During the next phase of the GEF, this has to be rectified. Countries without national environmental policies should be assisted to formulate them, and efforts should be made by the GEF to integrate global environmental concerns into all national and regional environmental and development policies.

In addition, several international programs and conventions define frameworks for regional policies. Most of these concern the area of international waters. Only a few of the GEF projects were actually developed and placed in the context of the priorities defined by the policy frameworks of the existing regional programs and agreements. Thus the advantage offered by the existing infrastructures and cooperative arrangements of these programs remained mainly untapped.

Participation
Country-level participation in the identification and development of projects for the GEF is particularly important, mainly in the biodiversity focal area and in some of the global warming and international waters protection projects. Where appropriate, most GEF documents give some reference to participation of NGOs and local communities; however, they often do not spell out who the participants are nor how they are to be involved. The indications of consultations are not sufficient to determine whether the local actors have been meaningfully engaged in project development processes and in subsequent implementation.

There is an obvious need for more guidance from implementing agencies on the technical processes that need to be followed to ensure community involvement and on the kinds of skills that should be recruited for design and implementation teams to help install and monitor this process. It must be clear that the process goes much beyond holding "consultations" with international and capital-city NGOs. Local community organizations and NGOs will need to be turned to for assistance in carrying out this process. However, funding—in modest amounts—will need to be provided for strengthening the capacity of local NGOs and communities to design and manage GEF projects. National and international NGOs can be important intermediaries in this process, but they have to also maintain sensitivity in their work with the local groups.

Sustainability

The issue of sustainability in the GEF portfolio has been discussed in most project documents—more in those for the World Bank than in those for UNDP. However, the analysis of capacity-building requirements for sustainability is only lightly treated, if at all, although it is implicit in those projects for which technical assistance has been planned. Trust funds have emerged as a promising solution to the uncertainty of future funding for recurrent costs of conservation administrations, research bodies, and programs in the developing countries. GEF projects have funded or include plans for designing funds for 13 countries (see Annex 5). A basic issue for trust funds is the high level of capital required to generate adequate revenue for project operations. Policy and sectoral circumstances that bear on project performance and outcomes and their sustainability were addressed unevenly and may require attention through broader program approaches.

The Strategies and Projects of the GEF Focal Areas

The GEF project selection process responded to a set of goals reflecting both a multiplicity of inputs and practical experience gained by the implementing agencies during the pilot phase. A variety of actors and motivations have influenced the development of the selection standards. The effort to respond to an array of demands produced a set of projects without a clear, consistent strategy framework. Adequate guidance on how to prioritize among competing goals has not emerged from the participants or the GEF management. The following conclusions are drawn from the analysis of the GEF portfolio in the four focal areas.

Projects for Protecting Biodiversity

With over US$300 million in GET funding, the biodiversity portfolio represents the most important focal area of the GEF pilot phase, including half of all the projects and 43 percent of total funding. An important finding of the evaluation is that the GEF still lacks a convincing strategic framework to guide its investments in biodiversity. Although the GEF has played a useful role in stimulating the negotiations leading to the adoption of the Biodiversity Convention, the investments made to date have tended to be haphazard, and many may make only marginal contributions to conserving biodiversity on a global scale. Little GEF work to date has responded to the needs identified as national priorities, involved local communities in an effective way, stimulated creative cooperation among the implementing agencies and other global organizations working in the field of biodiversity, or meaningfully involved NGOs in project development. Furthermore, the GEF has not given sufficient attention to building appropriate national institutions for conserving biodiversity and using biological resources in a sustainable manner.

Reducing Global Warming

The GEF portfolio on global warming consists of 42 projects totaling US$281.3 million. This focal area accounts for 38 percent of GEF projects authorized during the five tranches and represents 40 percent of total funding. The enormity of the global warming problem is such that even a more heavily endowed GEF would not be able to significantly diminish greenhouse gas emissions from developing countries. This can only be achieved by integrating global warming objectives and strategies into development assistance programs and developing-country policies and practices. National environmental strategies, where they exist, are focused on domestic issues, highlighting such concerns as air quality and the effect of pollution on health. The global dimension is often left out. The GEF global warming program is not yet a coherent adjunct to the Climate Convention. The strategic objectives for guiding the use of limited GEF resources for global warming activities remain to be defined. Many of the GEF global warming projects were developed from concepts already in the pipeline without the benefit of clear GEF criteria and with very little meaningful external review. However, the process of project selection and development has gradually improved. If it is assumed that the overriding focal area strategy is to provide decisionmakers with a roster of options offering the greatest possible reduction at the lowest cost, then the global warming portfolio can be judged to be only partially successful.

Protecting International Waters

There are 13 GET-funded projects in the GEF International Waters Protection (IWP) portfolio. These 13 projects constitute 12 percent of the total GET projects and 16 percent of the total GET funding. The goal of the IWP strategy should be to ensure the use of international waters without damaging their integrity (structure and processes). Restoring damaged systems should have a high priority. Main deficiencies in the portfolio are: (a) the lack of a clear strategic framework and of well-defined priorities within this framework; (b) a definition of international waters that does not recognize that these waters form a dynamically linked, integrated whole with the waters under national jurisdiction; and (c) inadequate attention to the mismanagement of biological resources (mainly the overexploitation of fisheries resources). Significant protection of international waters cannot be achieved without protection of waters under national jurisdiction and without dealing with the direct causes of their degradation. The GEF strategy should be cast within an overall framework of, and responding to, the global environmental and development priorities identified by Agenda 21. In addition, the strategy should be supportive of the existing and evolving global, regional, and national environmental programs, agreements (conventions), and should be based on priorities defined by the best scientific knowledge available.

Reducing Ozone Depletion

As of June 30, 1993, two projects have been authorized by the participants under this focal area (US$5.7 million). Although the Ozone Depleting Substances focal area constitutes a small percentage of GEF activities, it raises the issue of GEF activities that overlap with existing international conventions and trust fund mechanisms. The number of countries eligible for GET funding is small. (See Chapter 5 for the eligibility conditions.) Assessments of the advantages and disadvantages of these different approaches may be useful to guide future decisions on arrangements for protecting the global environment.

Small Grants Programme

The Small Grants Programme of the GEF, currently funded at US$10 million, has been well received in the developing countries. Administered by UNDP, the program is attempting to test small-scale activities and approaches that could help alleviate global level environmental concerns if replicated successfully on a larger scale over time. Heavy emphasis is placed on decentralization of decisionmaking, leading to increased community-level responsibility and

NGO involvement. Additional guidance is needed on drafting national-level GEF/SGP strategies and to ensure that technical expertise is available not just at the proposal preparation and review stage but throughout activity implementation. A monitoring mechanism should be installed to disseminate lessons learned throughout the pilot phase.

Project Development Procedures for the GEF Pilot Phase

While project development procedures vary among the three implementing agencies, the review of the three agencies' procedures revealed common features.

In virtually all of the information reviewed on project development procedures, there is one problem that emerges at all levels of GEF operations: the multiple layers of front-end reviews, often duplicated by the participants, are not cost-effective in terms of the additional time, expense, and effort required. Also, they are becoming more counterproductive as the participants and NGOs press their attempts to micro-manage the project development procedures. The evaluators find an increasingly negative attitude among many project managers toward being involved in future GEF activities. This attitude seems to stem from the perception that the additional steps required to process GEF projects, compared with regular operations, add more work but do little to improve the quality of projects.

STAP played a useful role in reviewing the eligibility of project proposals for GEF funding, and in prioritizing these proposals. The priorities assigned by STAP to the proposals had a positive effect on the contents of the project portfolio by eliminating the further development of unsuitable projects. However, STAP's comments and suggestions had a much smaller influence on shaping the design of projects included in the work programs.

After GEF projects are authorized by the participants in work programs, there is no further external independent review or substantive cooperation among the implementing agencies on the projects' further development. The evaluators question whether it is cost-effective to have all of the independent external reviews of the GEF projects concentrated at the stage of the Project Briefs or Initial Executive Summary when there is usually only limited information available and the project has not been designed.

In addition to the concern about front-end reviews, there is also a concern about the expectations of close cooperation of the implementing agencies on the development of mutually beneficial GEF projects and work programs. In fact, there has been little interaction, as each agency proceeded independently. Nor has the Implementation Committee functioned effectively in this respect. The synergy of the "comparative advantages" of the implementing agencies in planning the pilot phase has not materialized.

Leverage of World Bank Lending

Twenty-nine GEF projects are associated with lending operations of the World Bank, totaling about US$3 billion. According to the World Bank GEF Coordinator's Office, the availability of GET funds has influenced significantly the design of World Bank-financed projects, although the association has been controversial in some cases. There are some indications that GEF projects have not been instrumental in mobilizing World Bank lending resources: (a) in five cases, the GEF project was added on to a World Bank-financed project already under preparation; (b) in three cases, the World Bank-financed project proceeded without the GEF component, although developed jointly; and (c) in several cases, the links between the GEF project and the World Bank lending operations are weak, suggesting that it is unlikely that the GEF acted as a catalyst in mobilizing the World Bank's resources.

Transparency
Generally, GEF documentation and decision-making have emphasized the importance of transparency. Because of the GEF's growing universal character, the desire to ensure broad global involvement and support for protecting the environment, and the strong concerns of a number of public and private groups about the global environment, the demand for greater transparency is increasing. The World Bank has approved new policies on information disclosures; these will go into effect January 1, 1994, when a Public Information Center will also be established at the World Bank. UNDP and UNEP have issued new directives on release of documents.

GEF Pre-investment Facilities
There are now two GEF pre-project facilities, running in parallel and separate paths, with little GEF oversight of PRIF/PPA processes. The GEF Secretariat should issue guidelines on the use of GEF funds for pre-project purposes that would indicate: (a) the nature of pre-project activities that will be reimbursed; (b) the funding ceiling for these activities; and (c) the information that should be submitted, along with the Project Brief, to justify costs for pre-project activities for all proposed projects at the time of the Project Brief submission and review.

Organization and Management

A primary organizing principle for the GEF during the pilot phase was that no new organization would be created to administer GEF funds. The responsibility for implementing the GEF's program would be shared between UNEP, UNDP, and the World Bank. According to this guidance and the expectation of the participants, "modest modifications" in the implementing agencies' structures and systems would be acceptable; "consensus building" and "informal arrangements" with a minimum of formal agreements would be the style of operations; and external expertise would be drawn on to ensure the technical and scientific quality of proposed GEF activities. The responsibilities of the three implementing agencies for administering the GEF were spelled out in the October 1991 agreement on procedural arrangements for the GEF. (See Box 9.1.)

The principal findings of the evaluators' review of the GEF's primary operating components are as follow:

- The demands of the complex organizational arrangements, the features of the focal areas, and, most important, the pressures for early and rapid authorizations and commitment of GEF funds have placed extraordinary burdens on the staffs of the implementing agencies involved in GEF, impairing the quality of their work. The fact that the staffs achieved the levels of authorization requested by the participants attests to their dedication and long hours of work, but the pace cannot be sustained.

- The evolution of the components of GEF operations has been dysfunctional—both policy and technical guidance and coordination support took shape after the operations were under way.

- The internal organizational and staff capacities of the implementing agencies have improved, but still require further attention to better: (a) integrate GEF work with regular operations; (b) increase professional capacities; and (c) determine both the technical and programmatic requirements of the focal areas, particularly biodiversity projects, and the way they are being managed.

- Both the lack of independence of the GEF Chairman's functions from the demanding responsibilities and priorities of the World Bank's regular activities and his supervision of both the GEF Administrator and the GEF

Operations Coordinator for the World Bank's GEF investment activity have weakened the rigor of the administrative and program oversight of the GEF *as a whole*, as well as blurred the distinctive identity for the GEF program;

- While the existence of the GEF and its activities within the implementing agencies has had some effect in creating an awareness of global environment issues, the operational arrangements and reactions to the pressures for quick results may have, in some instances, been counterproductive to gaining support for global environmental concerns;

- The experience with GEF operations over the past two years indicates that the implementing agencies have had considerable difficulties working collaboratively within the GEF framework. The absence of an independent arbiter has been a primary weakness in GEF operations. Neither the Administrator nor UNEP had the mandate to play such a role.

Trust Fund Administration

The World Bank's role as the GEF Trust Fund administrator was established on March 14, 1991, when the Executive Directors approved Resolution No. 91–5 to establish the GEF. The GEF Secretariat and the World Bank's Trust Fund administration staff in the Office of the Vice President and Controller have, informally, the principal responsibility for management oversight for the GET. The allocation of funds is set forth in semiannual work programs, with specific amounts set by the implementing agencies for each program and project and for administrative expenditures. The participants' review of each work program constitutes a form of authorization of GET funds for each project or activity. Advances are then made to UNDP, UNEP, and the World Bank. Each implementing agency administers the GET funds according to its financial procedures. UNDP and UNEP have set up their own GEF Trust Fund mechanism. Generally, the Trust Fund arrangement with the World Bank has been found to be satisfactory and well administered. However, the Secretariat and Trust Fund administration do not have formal authority to examine and approve the allocations requested by the implementing agencies for program and administrative expenses. They are able to monitor and verify fund allocations and their uses within the context of the funding presentations to the participants in the Report of the Chairman. After allocations are made, accountability rests with the GEF Operations Officer in each of the implementing agencies.

Cofinancing Arrangements

GEF cofinancing pledges amount to US$324.0 million. By June 30, 1993, GEF cofinanciers had expressed an interest in financing 15 projects totaling US$129.8 million. Some donors welcome the opportunity to contribute to the GEF Trust Fund. This enables them to identify with a major global initiative without the burdens of program development administration. Others prefer to contribute to the Trust Fund and also cofinance. And still others confine themselves to cofinancing (including parallel financing). The most important consideration in weighing the use of cofinancing is to ensure the integrity of the GEF objectives and strategies and the careful coordination of project development procedures.

The Cost of Administering the GEF

The total costs of administering the GEF pilot phase amount to US$93.2 million. This amount includes provision for administrative costs for the extended period to FY99 during which pilot phase projects will be implemented. It excludes the costs associated with the preparations for GEF II. Seventy-two percent of the administrative costs are attributable to project development, processing, and supervision. The balance is for the Coordinators' offices, central services, STAP, and the Administrator's office. The administrative/work program cost ratio is in the 10–12 percent range. It is substantially higher than was expected—about 3 percent. However, the higher costs may be attributable to the special features and demands of the GEF during the pilot phase.

Assessment Overview and Recommendations

For a full appreciation of the evaluators' assessment and recommendations, the reader is encouraged to turn to Chapter 2. The major conclusions of the independent evaluation of the GEF pilot phase include some general observations and six issues. In conjunction with these six issues, the evaluators provide nine main recommendations.

General Observations

- The GEF is an important and generally accepted new endeavor for the international community with the potential for influencing the world's response to serious global environmental concerns.
- The Facility has taken initial steps to increase awareness within grant-recipient countries about the opportunities offered by the GEF.
- Over the past two years, the Facility has put together a large portfolio of investment, technical assistance, research projects, and studies.
- The participants, from both the developed and developing countries, the Chairman, the Administrator, the staff within the implementing agencies, and the members of STAP, working together under exceptional pressures and difficult time frames, are commended for these achievements.

Conclusions

Reforms are necessary if the GEF is to achieve its long-term objectives of mobilizing worldwide participation in sustainable actions to protect the global environment. The areas for reform, identified by the evaluators, include:

- Articulation of the GEF raison d'être, objectives, and strategies;
- Program leadership and management of the GEF as a global program facility;
- Capacities and procedures within the implementing agencies for managing the GEF portfolio;
- Engagement of country and community-level participation;
- Involvement of nongovernmental organizations;
- Proceeding with review and approval of projects for the GEF II without having a clear program strategy and criteria in place.

These six issues arise primarily because of inadequacies in the basic policies and structural arrangements established in the design of the GEF pilot phase and in subsequent guidance within which the GEF staff have had to operate. They are, thus, matters that require the attention of the participants, for the most part.

Major Conclusion

The GEF is a promising, and presently the only significant, mechanism for funding programs relevant to the protection of the global environment. However, the promise of this significant new fund will not be realized unless there are fundamental changes in the GEF strategies, the functions and relationships of its organizational components, and operating procedures.

1. Introduction

At their meeting in Abidjan on December 3-5, 1992, the Global Environment Facility (GEF) participants requested an independent evaluation of the GEF pilot phase to be completed in time for their meeting in December 1993. This report responds to that request. It incorporates the material that was provided to the participants in the interim report for their September meeting.

One of the primary aims of the pilot phase of the GEF has been to learn about various approaches for protecting the global environment. At the same time, the pilot phase has been driven by the desire to get something established and operating so that the GEF will be available to serve the conventions on the environment and the aims of the United Nations Conference on the Environment and Development. This evaluation should be viewed as part of this effort to learn from the experience of the pilot phase to guide future planning for the GEF as it moves into new phases. There is a great deal more to be learned from the pilot phase than is provided by this report, particularly as pilot phase projects move into full implementation. Thus, a continuing evaluation process is important.

This report covers in its eight main chapters the several topics specified in the Terms of Reference. Although an attempt has been made to reflect the evolving nature of the GEF pilot phase, the evaluation, for practical reasons, used June 30, 1993, as a cut-off date.

The second chapter, following this introduction, provides an assessment overview and main recommendations. In addition, assessments and recommendations on specific topics such as the Small Grants Programme (SGP) are provided in the main text.

The third chapter provides a profile of the GEF as of June 30, 1993. It summarizes the five tranches authorized by the participants by tranche, geographic distribution, focal area, implementing agency, and the stages in project development. It also reviews such topics as funding for the Pre-Investment Facilities (PRIFs) and Project Preparation Advances (PPAs), the status of associated and free-standing projects in the World Bank's portfolio, and the status of cofinancing. The project profile describes the totality of the pilot phase and the pattern for GEF global activity that will emerge over the next several years.

The fourth chapter discusses the policy framework for the pilot phase of the GEF. It reviews the origins of the GEF; the expectations of the donors, developing countries, and nongovernmental organizations (NGOs); and the GEF's linkages with Agenda 21. It also discusses and provides the evaluators' assessment of the main policy features of the GEF, such as global benefits and incremental cost, innovation, strategies and criteria, additionality, and national development.

The fifth chapter reviews the strategies and projects in the GEF's four focal areas. It attempts to provide a picture of the substantive features of the projects in each focal area, as they relate to such topics as global benefits, incremental cost, innovation, participation, and sustainability. The review is based on the examination of project documents (as of June 30, 1993) for 62 projects and visits to 31 projects in 22 countries. As most of the projects are still in the design stage and few are being implemented, the review attempts to identify patterns of concern across the portfolio; it does not provide multidisciplinary evaluations of individual projects.

The sixth chapter reports on the evaluation of the SGP. It reviews the status of the program and outlines some of the main issues that need to be addressed to strengthen the program.

The seventh chapter examines the work of the GEF in the context of developing countries' perspectives and national environmental action plans. It also comments on the coordination of GEF operations in the developing countries.

The eighth chapter provides the evaluators' assessment of the project development procedures, including those steps that lead up to the participants' authorizations and the subsequent procedures followed for project approvals by the implementing agencies. Special topics such as transparency, participation, and the use of project pre-feasibility facilities are also reviewed in this chapter.

The last chapter reviews the organizational and management features of the GEF. It assesses the work and collaboration of each of the main implementing agencies. It also discusses the costs of administering the GEF, the Global Environment Trust Fund (GET) management, cofinancing, and collaboration with regional development banks and United Nations agencies.

The annexes provide the Terms of Reference; summarize the evaluation procedures; and list the projects reviewed by the evaluators, the GET-funded projects in the pilot phase, the GET Pre-Investment Facilities and PPAs, the World Bank and UNDP GEF project development process, the trust funds in GEF projects, and the GEF/SGP countries.

In the November meeting with the Independent Panel of Experts, a number of topics not covered by this evaluation report were discussed. Several topics, such as matters of GEF governance, a detailed review of the functions and responsibility of the participants, the interrelation of the conventions and the GEF, were considered to be beyond the scope of this evaluation. Other topics suggested by the panel members as possible subjects for further examination include:

- An elaboration of the monitoring and evaluation processes that should be established in conjunction with GEF II. This topic relates to the fifth recommendation: Establish a permanent mechanism for identifying lessons and promoting their application in GEF programs.

- An in-depth review of national environmental policies and strategies as a basis for the introduction of global environmental concern and objectives in a particular country.

- An in-depth examination of implementing agency staffing plans, administrative costs, overhead rates, financial management procedures, and comparative administrative/program costs ratios.

- A survey of the capacities of the international and nongovernmental organizations to carry out GEF programs.

2. Assessment Overview and Recommendations

Introduction

The GEF is an important new endeavor for the international community with the potential for influencing the world's response to serious global environmental concerns. It has been generally accepted as the major international mechanism for financing global environmental efforts. It has served as a forum for the debate that has taken place over the past three years on certain issues related to global environmental degradation. In stimulating this debate, the GEF has helped sharpen insights regarding the nature of physical, technical, and socioeconomic factors that must be taken into account during the formulation and implementation of environmental strategies.

The Facility has also taken initial steps to increase awareness within grant-recipient countries about the opportunities offered by the GEF. In addition, an effort has been made under the GEF to create increased program synergy among the GEF's three implementing agencies, which have been accustomed to operating independently. Finally, there is a large portfolio of investment, technical assistance, research projects, and studies that the Facility has been able to put together over the past two years.

The GEF pilot phase is a dynamic evolving operation that is characteristic of a pioneering effort. The evaluators have been advised of many recent initiatives being taken or planned by the implementing agencies to address operational issues that have arisen in the course of their work, to sharpen instruments for analysis and planning, and to improve agency performance generally. Some of these efforts are cited in this report.

The participants, from both the developed and developing countries, the Chairman, the Administrator, and the staff within the implementing agencies and the members of the Scientific and Technical Advisory Panel (STAP), working together under exceptional pressures and difficult time frames, are commended for these achievements.

Notwithstanding these achievements, the Facility's main value, at this juncture, lies in its promise. The promise of this significant new fund will not be realized, however, unless there are fundamental changes in the GEF strategies and operating procedures as well as in the functions and relationships of its organizational components. These changes are needed to clarify the GEF raison d'être, to strengthen its working modalities, and to improve the efficiency and impact of its performance.

The quick start of the GEF pilot phase, with its identification and endorsement of a number of projects, appealed to those who required a rapid demonstration that the creation of such a facility is possible—an essentially political response. This quick start would not have been possible if a new organization had had to be created, thus delaying the formulation of projects and commitment of funds. Some credibility might have been lost at the critical time of United Nations Conference on the Environment and Development (UNCED). This approach also provided an opportunity for the GEF as a pilot phase to try out some program and organizational arrangements without calling for long-term commitments.

However, the shortcomings of this approach are considerable, as evident in the discussion of issues that follows. If not addressed, these shortcomings could lead to a setback in the initial achievements just described. Reforms are necessary if the GEF is to achieve its long-term objectives of mobilizing worldwide participation in sustainable actions to protect the global environment. With these objectives in mind, the evaluators believe that six basic issues require attention. These issues arise primarily because of inadequacies in the basic policies and structural arrangements established in the design of the GEF pilot phase and in subsequent guidelines within which GEF staff have had to operate. They are, thus, matters that require the attention of the participants, for the most part.

ISSUE 1: Articulation of the GEF raison d'être, objectives, and strategies (See Chapters 4, 5, and 7)

The overarching objectives and strategy for the GEF have not been fully elaborated before or during the pilot phase. Well thought-out global objectives and strategies for the GEF as a distinctive resource to address environmental problems remain to be developed. For example, the reasons for the selection of the four focal areas for the GEF and the allocation of funds among them have not been evident in the GEF documentation. More important, a comprehensive global strategy for the GEF pilot phase in general and strategies for each of the focal areas were not spelled out prior to proceeding with the identification of projects and countries, nor afterward. Similarly, a broad international consensus was not created on the strategies for the focal areas for the pilot phase, leaving the GEF vulnerable to the criticisms that it reflected primarily the global environmental priorities as perceived by the major financial contributors to the GEF.

What is the GEF's niche in global environmental affairs that sets it apart from other international endeavors dealing with environmental issues? The ready explanation is that the GEF concentrates on selected global-level environmental problems distinguished from national-level concerns. This distinction between global and national is relatively clear for ozone depletion but less so for the other three focal areas, particularly biodiversity. However, given this focus, the underlying issue of raison d'être remains one of determining whether the GEF should be:

- A financial agency—the primary source of funding for programs for protecting the global environment in selected focal areas;
- A program catalyst—the primary mechanism for focusing attention on global environmental concerns and mobilizing the resources of others, thereby integrating significant international and national efforts aimed at protecting the global environment;
- A research and development facility—the primary means for identifying, testing, and disseminating innovative approaches for the protection of the global environment; or
- A combination of the three.

The conclusion on the relative importance of these options is essential to the definition of the GEF's raison d'être and niche in international environmental affairs. It is also the key to guiding the development of the GEF strategy.

In addition, the evaluators conclude that many projects in the pilot phase portfolio will not attain the desired global benefits because the projects have not been linked to an integrated GEF strategy and insufficient attention has been paid to standard project development practices. Simply adding hundreds of new projects to the 114 now in progress without attention to these basic requirements will not result in significant advances in the protection of the global environment.

The main concerns, related to integrated strategy and project development practices, identified by the evaluators in their review of the GEF portfolio include:

- Insufficient attention to requirements for sustainability and to national and regional environmental strategies as guides to project selection and development;
- The absence of focal area strategies that provide clear guidance on resource allocations and project priorities;
- Insufficient attention to institutional capacities within countries and regions; and
- Weaknesses in such areas as the definition of global benefits, incremental costs, and the calculation of GEF funding requirements, the application of innovative and/or cost-effective technologies, practices for engaging local communities and NGOs, and planning for achieving sustainability.

A well-coordinated and integrated effort is required for the GEF as a whole. To achieve this, four main concerns need to be addressed.

First, the lack of strategy and objectives that overarches the focal areas and project selections. The document *The Pilot Phase and Beyond* (GEF Working Paper Series No. 1, May 1992) provided a useful summary of the GEF experience through April 1992, a list of "eight principles...to serve as building blocks for the future," and some eligibility criteria for the selection of GEF activities. The five GEF reports by the Chairman, issued over the past two years, have added an impressive amount of information on the complexity of issues confronting the GEF. However, this voluminous material does not add up to a strategy.

Second, the absence of objectives, strategies, and criteria within each of the focal areas. STAP's draft criteria and analytical frameworks may be appropriate for an experimental approach to testing alternative types of activity and innovation. They are a useful start, but inadequate for the development of global program strategies guiding the next phase of the GEF. For example, guidance is needed on the kinds of interventions that will be financed under the GEF. The relative weight to be given to such factors as program policy frameworks, capacity strengthening, socioeconomic analyses, community participation, innovation, and sustainability should be spelled out in more practical terms than has been done during the pilot phase.

Third, the failure to reconcile national and global environmental interests and responsibilities to guide program and project design. The experience of the pilot phase has demonstrated that the attempt, in the absence of a clearly defined strategic framework, to draw distinctions between global and national environmental concerns and benefits has led to conceptual, and more important, practical problems in program applications and operations. Developing countries are expressing fears that the global initiative will divert resources and talents from important issues of national development. An artificial distinction of global and national benefits can undermine the importance of ensuring mutual responsibility and the long-term sustainability of important GEF initiatives.

Finally, and most important, the lack of agreement among industrial and developing countries on the raison d'être, objectives, and strategies of the GEF. Though the GEF has made an effort during the past two years to increase developing countries' participation in the GEF, there is a lingering perception within the international community that developing countries have been able to influence GEF operations only on the margins. If the GEF is to become a truly "global" facility, a genuine partnership between North and South and including the countries with economies-in-transition must be forged over the next several years. Such a partnership must be based on the conviction that the curtailment of global environmental degradation depends on joint and concerted action. The partnership will evolve only through informed dialogue resting on a solid analytical base—which is still very much "under formation" within the GEF. The cornerstone of the partnership will be the GEF's ability to identify more clearly the intellectual, programmatic, and physical parameters of the global environment.

RECOMMENDATION 1:
Clearly articulate the GEF mission.

The participants should define more comprehensively and substantively the raison d'être, objectives, and strategies for the GEF for the coming decade, based on the broad framework of Agenda 21 adopted by UNCED and focal area conventions, and drawing on the experience of the pilot phase and on the extensive work of other national and international organizations.

This definition should be developed in full partnership with developed and developing countries and should clearly articulate the mission of the GEF in:

- Advancing, through GEF-funded program activities, a better understanding of the issues of the global environment and how to address them to achieve sustainable economic development. This work would be carried out in close collaboration with existing and evolving international environmental agreements (conventions) and programs relevant to the GEF focal areas. However, it should also cover other areas without such conventions;

- Clarifying the relationships between global, national, and regional benefits; the programmatic implications of these relationships; the sharing of costs for program and project activities; and the responsibilities for the long-term sustainability of these global and national benefits;

- Supporting, with GEF financial assistance, the development of a worldwide knowledge-base on global environmental conditions, prospects, protection requirements, and lessons learned to guide the choice of program activity and its design;

- Strengthening national and regional environmental and developmental policies and actions by incorporating in them the global environment perspective;

- Building national and regional institutional and professional capacities, and developing approaches to facilitate local participation in activities of global environmental concerns; and

- Facilitating the integration of global environmental concerns in the programs of public and private multilateral and bilateral development assistance agencies.

RECOMMENDATION 2: Develop program objectives and strategies.

The participants should, in collaboration with focal area conventions, ensure the development of the GEF program objectives and strategies. These should clearly enunciate:

- The priority areas for the concentration of GEF resources for the coming decade;
- The criteria and reasoning used in the selection of these priorities; and
- The kind of program and project-level interventions that will receive priority attention under the GEF initiative.

ISSUE 2: Program leadership and management of the GEF as a global program facility (See Chapters 6, 8, and 9)

If newly developed policies and strategies for the GEF become the basis for the GEF long-term responsibilities, and the evaluators believe they should, then the functions and relationships of the GEF organizational units will need modification. These modifications are mainly in the sense of redefining the functions of the GEF structural elements, their responsibilities, and operational modalities, and less a matter of changing the framework of the GEF restructuring presently being considered by the participants.

The functions, responsibilities, and modalities of the present structure, which would presumably remain in the GEF II if changes do not take place, are not cost-effective in operations nor successful in advancing collaborative activity. Some reasons are:

- The decisionmaking processes for project development are complex, cumbersome, and costly, owing to the addition of new requirements to existing systems.
- Accountability at policy, program, and project levels is diffused.
- The merits of agency "comparative advantages" have been offset, in part, by agency weaknesses, such as in their technical capacities for developing focal area programs, management of local participation, and integration of the GEF operations into the mainstream of the implementing agencies' operations.
- The coordination arrangements among the implementing agencies that were supposed to result in interagency synergy and provide leadership for the GEF *as a whole* have proved to be ineffective.

In addition, the existing structural arrangement for the GEF has not been successful in:

- Providing for a comprehensive and independent GEF review of proposals submitted by the implementing agencies;
- Ensuring that GEF programs in the developing countries are coordinated and linked with national and regional environmental policies and developmental priorities;
- Developing an effective working relationship with those NGOs locally and internationally that have relevant expertise and experience; and
- Establishing a mechanism for systematically learning from experience as a GEF-wide operation.

Early in the pilot phase, the interagency Implementation Committee was set up to ensure working-level program coordination. During its first few sessions, members of the committee strove earnestly to work out a number of programming issues and to examine the merits of each of the project proposals submitted by their agencies. However, it became increasingly difficult to reach a consensus on sharing GEF resources at the outset and on the projects to be included in the GEF work programs. Deep-seated antagonisms among the agencies started to surface and the Implementation Committee process became "highly competitive and occasionally acrimonious."[1]

In summary, the present operation arrangement is a major impediment to the effective professional leadership and management of the GEF as a unique international entity. The World Bank's assuming this function was not accepted by the other agencies and interested groups. The present Secretariat (that is, the Office of the Administrator) has neither a clearly defined and accepted policy and program leadership responsibility nor an oversight authority. The Secretariat is not in a position to serve as an independent arbiter to provide comprehensive project reviews, achieve effective coordination, or preserve the integrity of the GEF mission. As a consequence, the intellectual focus and administrative discipline that is required for the GEF *as a whole* is largely missing, or only partially manifested in the implementing agencies operating independently.

As trustee of the GEF, the World Bank has the ultimate responsibility for certifying that GEF funds have been authorized in accord with the overall objectives stated in the Tripartite Agreement. The World Bank has carried out this financial management function satisfactorily during the GEF pilot phase. There is an urgent need, however, to guide this function with an *independent* program management system to ensure that GEF resources are being allocated in line with GEF program priorities and on a cost-effective basis.

STAP, although established too late to influence decisively the pilot phase, played a positive and useful role, as it provided an important mechanism and a forum for cooperation among the implementing agencies. It also formulated the generic and specific criteria against which the eligibility of projects for GEF funding was judged, provided impartial independent advice on the scientific and technical merits of proposals submitted to the GEF, and assigned priorities to projects in the GEF concentration areas. By assigning priorities to the reviewed project proposals, STAP has exerted a major influence on the selection of projects that became part of the GEF work program. However, the evaluators found that STAP's comments on individual proposals have not contributed markedly to the shaping of these projects' further development, partly because the comments were sometimes not useful, and partly in many instances useful comments seem to have been disregarded by the implementing agencies.

One of the primary purposes of the pilot phase was to generate lessons that were to be reported to the participants on a regular basis. This is not being done GEF-wide. While the evaluators recognize that project implementation and impact assessments are premature (because few projects are being implemented), there is a great deal to learn from the work on project identification, design experience, and implementing agency operations. No GEF-wide system has been set up to systematically gather and disseminate this information and to track and monitor GEF strategies, operations, and projects. Such a system should not be left to each implementing agency to develop independently with different approaches and requirements. Rather, it should reflect an integrated approach on data requirements and analyses that are independent of individual implementing agency operations. A hurried evaluation may help but it is no substitute for a systematic and independent mechanism that could have operated on a continuing and well-structured basis from the beginning of the pilot phase.

Experience during the pilot phase suggests that there should be a more open competition for GEF resources during the GEF operational phase. There are a number of other organizational entities (regional development banks, NGO consortia, semiprivate institutions, other United Nations agencies) with expertise needed by the GEF to carry out its mission. Some of these organizations have had extensive trial-and-error experience working at the community level—experience that should have *ronmental science and technology, social and economic disciplines, and program development.* The functions of the reformed STAP should be to: (a) provide the participants and the Secretariat with credible advice on a scientifically, technically, economically, socially, and legally sound strategy for the GEF; and (b) serve as an impartial overseer of this strategy's implementation, including the provision of independent review of the quality and integrity of the scientific and technical merits of individual programs and projects. STAP should be supported by a full-time professional unit within the GEF Secretariat. Its advisory recommendations should be provided to the Secretariat and to the participants.

- *Prepare guidelines for developing countries to propose programs to address global environmental concerns.* One of the important principles set forth in the *Pilot Phase and Beyond* is that "the GEF would fund programs which are country driven and consistent with national priorities." To make this principle fully effective, the GEF will need to establish procedures to help developing countries submit, on their own or in concert with implementing organizations, project and program proposals for protecting the global environment.

- *Expand the range of organizations eligible to implement and execute programs and projects with GEF funds to include—in addition to the original three (UNEP, UNDP, World Bank)—the Regional Development Banks, United Nations agencies as well as governments, and NGOs where they meet rigorous standards of competence in program areas for the global environment.* The GEF Secretariat and STAP would provide criteria for the selection of implementing and executing organizations. It would oversee, on behalf of the participants, their performance in order to ensure the compliance with applicable GEF conditions, including the resource allocations endorsed by the participants. Regular reporting on progress and results of the projects would be required. It would be the responsibility of the implementing and executing organizations to approve projects and ensure related accountability.

RECOMMENDATION 4: Clarify and establish clear lines of accountability for the GEF.

The participants should, in the interest of accountability, empower the GEF Administrator and Secretariat with:

- Programming and budgeting oversight functions;

- Authority to allocate GEF resources for the programs and budgets endorsed by the participants; and

- The responsibility to report to the participants regularly on the administration of GEF programs and budgets.

RECOMMENDATION 5: Establish a permanent mechanism for identifying lessons and promoting their application in GEF programs.

The participants should establish a permanent mechanism in the Secretariat of the GEF for the ongoing monitoring and evaluation of GEF strategy, programs, and projects. This will require the development of standards for comprehensive databases and information systems in order to assist implementing organizations to create sound monitoring and evaluation systems within their GEF programs and projects. Resources should also be available for periodic evaluation of specific topics of interest to the GEF portfolio.

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ISSUE 3: Capacities and procedures within the implementing agencies for managing the GEF portfolio (See Chapters 5, 6, 7, 8, and 9)

As stressed in ISSUE 2, the main weakness in the current GEF arrangement is the lack of a core management capacity needed to represent the interests and objectives of the GEF as a whole and to provide program leadership and oversight. Improving the operations of the implementing agencies will not resolve this problem. The role of the implementing agencies within the GEF has been heavily determined by the institutional strengths and weaknesses characteristic of each of the implementing agencies. The evaluators have not attempted to address institutional reform requirements within the agencies inasmuch as such recommendations lie outside the terms of reference for this exercise.

At the same time, the evaluators have underscored issues of institutional capacity and operational procedures that are directly related to implementing agency participation within the GEF framework. Some areas of concern that will have to be addressed by the agencies include:

- Measures to integrate the GEF objectives into the mainstream of agency operations so that protecting the global environment becomes an agency-wide interest, recognized by staff, with encouragement from senior management, as an important responsibility rather than an add-on activity;
- Improved capacities to address the technical, institutional, social, and economic dimensions of planning and implementing focal area programs, particularly for the protection of biodiversity. This involves particular attention to capacities related to, for example, linking GEF interventions with national strategies for the environment, the engagement of local participation, the introduction of modest levels of financing paced to the absorptive capacities of the local communities, and developing national institutions;
- Streamlining project development procedures so that only the most productive review steps in shaping projects related to the GEF objectives and criteria are retained and associated with the evolution of project designs at key stages (not just at the initial review stage);
- The preparation of GEF guidelines under the guidance of the GEF Secretariat on such subjects as participation, incremental cost calculations for GEF funding decisions, defining global benefits, approaches to promoting sustainability, the application of innovation, and the development of the global dimensions of national environmental policies and strategies and their linkage with GEF projects;
- The training of agency and developing-country staffs in these concepts and practices.

The interagency agreement "Procedural Arrangements among the World Bank, UNEP and UNDP for Operational Cooperation under the Global Environmental Facility" was an attempt to outline areas of responsibility among the three agencies. As pointed out in the evaluation report, day-to-day realities are different from the description of some of the responsibilities outlined in the agreement.

These are some of the main areas that will require attention. However, they should be addressed within the context of the overarching and focal area strategies, which should be developed as a first priority.

RECOMMENDATION 6: Following the development of GEF strategies, establish com-

mon guidelines for the management of GEF operations by implementing organizations, and undertake an independent review of their capacities.

ISSUE 4: Engagement of country and community-level participation (See Chapters 4, 5, 6, 7, and 8)

GEF project identification initially was largely agency driven in order to ensure a rapid buildup of the GEF portfolio; other sources of project ideas for the GEF became more prominent at later stages. The failure to take a more deliberate approach, which would have allowed time for explaining the distinct mission characteristics of the GEF and for more participation and ownership in the project identification process, has resulted in some confusion and frustration in the GEF recipient countries. The influence of recipient countries on the type and substance of individual projects implemented in their countries is far lower than it may appear from publicly available documents.

Developing countries have a central responsibility for leading and facilitating initiatives for country participation in the GEF work at the policy, program, and project levels. GEF resources can help stimulate these initiatives in a variety of activities related to (a) introducing the global environmental interest in national development and environment plans; (b) educating public and private groups about the global dimensions of environmental degradation; and (c) enabling local communities to participate in programs for protecting the environment.

On this last point, the evaluators have found that the shaping of projects, where local participation and cooperation are essential to successful outcomes, has been particularly problematic during the pilot phase. Approaches to project identification and design, the sharing of and access to information, the nature of consultations, the participation of affected populations, the size of projects, and the pace of project development are all areas of basic concern that can affect adversely the achievement of project objectives. While there are a number of promising projects, the instances of unsatisfactory practices by the implementing agencies point to the need for improvements in local participation.

RECOMMENDATION 7: Improve participation in the GEF program at the country and community levels.

The participants should:

- Advance GEF support, as a high priority, for developing and strengthening national environmental action plans and related institutional capacities, incorporating concern for the global environment, and involving local NGOs and other relevant sectors of society in this work;

- Ensure that countries are the main initiators of project proposals that correspond to both GEF requirements and their own national priorities; and

- Request that guidelines be developed on the best practices with the help of affected communities and local NGOs in the identification, development, implementation, and monitoring and evaluation of GEF projects. These guidelines should be subjected to the examination of a wide range of public and private organizations—North, South, economies-in-transition—with recognized experience in community work. The resources and experiences of the Small Grants Programme should be closely associated with this work.

ISSUE 5: Involvement of nongovernmental organizations (See Chapters 6 and 9)

The role of the NGOs, except for the SGP, was not systematically or successfully developed in the early planning of the pilot phase, although various attempts at collaboration were made. Questions of their role at the several levels of GEF activity—from global strategies for the focal areas, to project reviews, to local involvement in the identification, design, and implementation of projects—have troubled the GEF pilot phase operations and still require carefully worked-out understandings, procedures, and roles. The NGOs as well as the implementing agencies have a responsibility for taking constructive steps to improve the communication of their views and insights.

RECOMMENDATION 8: Establish mutually beneficial collaboration with nongovernmental organizations.

The participants should ensure that:

- The views of NGOs are solicited and that these views are taken into account when the participants review and approve the GEF II strategies, policies, and priorities;
- The implementing/executing agencies consult and, if appropriate, involve national and international NGOs in project/program identification, development, implementation, and monitoring and evaluation; and
- The GEF place emphasis on capacity building of local and national NGOs involved in GEF programs.

ISSUE 6: Proceeding with project review and approval for the GEF II without having a clear program strategy and criteria in place (See Chapters 3, 4, 5, and 8)

A primary finding of the evaluation of the GEF pilot phase is that the absence of well-developed and approved policies, strategies, and criteria to guide project formulation has constrained the efficient and effective targeting and programming of GEF resources. Now, as a result of the replenishment and restructuring sessions over the past two years, considerable pressure has built up to prepare work programs for the GEF II. The evaluators question the advisability of proceeding with new initiatives until the guidelines for project formulation are in place.

In addition, the evaluators urge that those projects in the pilot phase that have experienced serious design and implementation problems, and thus delays, be carefully reviewed.

RECOMMENDATION 9: Ensure that strategies and program guidelines are in place before program initiatives are undertaken with the funds anticipated from the replenishment for GEF II.

Endnote

1. "Report on an Audit of The Global Environment Facility," Internal Auditing Department, The World Bank, March 1993.

3. Profile of the GEF Pilot Phase

Summary

With the participants' approval of the fifth tranche of the GEF program in May 1993, they have authorized in work programs almost all of the funding available for projects for the pilot phase.[1] No additional project authorizations are planned during the remaining time in this phase. There may be some funding during FY94 for administration, project preparation, and reprogramming of project funds. Thus, with the completion of the authorizations for the pilot phase, it is now possible to develop a comprehensive profile of the GEF operation and the initial results of decisions made in getting it under way. This part of the report provides such a profile covering the time frame, the allocation of resources from various perspectives, and some findings that link the current pattern of activity with the review of GEF objectives. Because the participants' authorization and the implementing agencies' approval of GEF funds refer to the GET, the present profile analysis was completed only for the GET allocations. Information provided in this chapter is estimated as of June 30, 1993.

Observations from the Overview of the Pilot Phase of the GEF

This statistical profile of the GEF pilot phase, when joined with information from GEF documents and interviews, brings out a number of findings and observations.

First, the GEF implementing agencies and participants have moved quickly to establish GEF operations. Many of the projects were rapidly identified, reviewed, and authorized for a large number of countries in the unusually complex focal areas of biodiversity, global warming, international waters protection, and reduction of ozone depleting substances (ODS). Most of these projects are still in the design or appraisal stage. This effort took place when the concepts and criteria for the GEF were still being developed and the developing countries were largely uninformed about the new facility. This level of identification, the initial review, and the participants' authorization represents an extraordinary determination to build a pipeline of projects within the two years after the GEF was founded. However, the impact of the projects of the pilot phase will not be known for several years. The lessons and demonstrations from the implementation of these projects will only begin to emerge during this time.

The reason for this rapid pace stemmed from the participants' desire to make an effective showing at UNCED in Rio in June 1992—an objective set by the participants and set forth in the World Bank's Enabling Memorandum of February, 1991.[2] Two-thirds of the projects and 80 percent of the GET funds had been authorized by the participants by the time of that meeting (first through third tranches). This rapid allocation of funds appears to have paid off with UNCED's endorsement of the GEF as an interim facility for the biodiversity and global warming conventions. Recommendations for extension and restructuring were also made at that time in order to meet the broader objectives identified by UNCED.

Second, the desire to move quickly also has been dictated by the three-year time frame for the pilot phase and the aim to have the funding fully authorized and committed. The implementing agencies were advised that the GEF funds had to be fully committed within the three-year time frame or they would not be available. (This appears to be no longer a requirement.) The goal of full authorization has been achieved well within the three-year time frame. The completion of project approvals and commitments by the implementing agencies—at one-third of all of the authorized projects as of June 30, 1993—will likely extend in some cases beyond the three years. And the implementation for many projects not yet under way will take place over the next decade. The initial pace of project identification and authorization has generated serious questions of top-down, agency-driven project development and inadequate attention to local conditions and interests. The initial rush to authorization (though not the implementing agencies' preferred way of operating), with insufficient attention to project design and feasibility, the complexity and newness of the project concepts for addressing global environmental issues in the focal areas, and the institutional and policy issues to be worked out in advance, have contributed to the slow pace of project development and implementation.

Third, the initial authorizations of GEF projects moved ahead of the guidelines and criteria approved by the participants. The STAP guidelines were not approved by the participants until April 1992, after a major part of the GEF projects had been authorized. When STAP retroactively looked at the first tranche, it concluded that it "would probably not reject any projects at this stage" and made specific comments on only five projects. However, it noted "that the portfolio should accord with STAP criteria and priorities." The drafts of the STAP guidelines were more systematically tested on the development of all 41 second tranche project proposals. By applying the guidelines to these proposals, STAP classified the proposals as high (13), medium (4), low (19) and no priority (4) (one proposal was returned to be redesigned). While scrutinizing the second tranche proposals, STAP found that most of the project designs were vague and overambitious, and suggested the implementing agencies concentrate on project quality rather than on speed of project development.

Fourth, the GEF, with its focus on the global environment, as defined by the participants, has been introduced to a large number of countries throughout the world. Although the understanding in these countries about the distinctive features and objectives of the GEF is limited and there is confusion about its criteria, an initial step has been taken in these countries that can be built on. But is this wide geographic spread of GEF activity required to develop support for the GEF? Is a balanced geographic distribution of the GEF resources compatible with focal area priorities if the GEF objective is to address specific global environment concerns rather than serve as a global fund to facilitate attention to the environment?

Fifth, a significant portion of the GET funds has been allocated to regional and "global" projects (US$162.2 million or 23 percent). Although work on these projects is just getting under way, and needs to take into account ongoing international programs, they are potentially an important dimension of the GEF portfolio. They are particularly appropriate for GEF funding in view of its interests in facilitating international cooperation.

Sixth, as planned, the goals of protecting biodiversity and reducing global warming are dominant in GEF operations. These goals, however, pose difficulties for the implementing agencies. Although the GEF projects and total resources are a minor portion of the World Bank's operations (about 1 percent of lending activities and 8 percent of projects when compared to the World Bank operations for the last three years), they present a challenge because these projects are so different from regular investment projects and the GEF's special criteria must be incorporated into the World Bank's project development system.

For UNDP, GEF resources represent an appreciable addition (about 10 percent) to its overall program budget (not envisioned originally) with the task of introducing another priority into its programming system. Although the funds allocated to UNEP for its general support to the GEF, for STAP-related expenditures, and for the GEF projects managed for UNEP are relatively small, they represent about 5 percent of UNEP's annual expenditures. These challenges and demands test the agencies' depth of knowledge about these focal areas, appropriate project approaches, implementing organization capacities, and their ability to provide the expertise needed to guide project development and implementation.

The evaluators' conclusions:

- The time frame for the pilot phase is too short to achieve the goals set for it. It has generated undue pressures to identify projects and commit funds and, thus, proceed without adequate guidance on policies and strategies. Moreover, these pressures and the time frame have limited the GEF's ability to influence the implementing agencies' environmental programs, leverage funds, and be linked to national policy frameworks;
- The aim of geographic balance requires reexamination in the light of GEF objectives for protecting the global environment;
- The development of future GEF strategy should give particular attention to regional projects incorporating national, regional, and global dimensions for protecting the environment in GEF initiatives;
- The capacities of the implementing agencies in the focal areas and the potential contributions of other knowledgeable implementing organizations :. ~d review.

The Time Frame, Projects, and Countries for the Pilot Phase

From the early days of planning the GEF, the participants established that the time period for the pilot phase would be limited to three years. This has meant that the pilot phase would cover FY92–94 or July 1, 1991, to June 30, 1994, (UNDP and UNEP's fiscal year is the calendar year). The Implementation Committee started work on December 10, 1990, two weeks after the participants had agreed in a meeting in Paris to the formation of the Facility. In addition to working on organizational matters, the committee began at that time the preparation of the first tranche of projects to be submitted to the participants.

In the course of the two years since the GEF was established, the implementing agencies have proposed and the participants have authorized US$712.1 million of the GET funds for 112 projects for direct assistance to 63 countries. (Annex 2 lists all projects funded by the GET grouped by focal area, with additional information on region, country, implementing agencies, and GET funding.)[3] At least 34 countries are expected to participate in regional GEF programs, of which 28 countries have no other direct funding from GET. The number of countries associated with regional programs is incomplete, as arrangements for participation are still being developed. These numbers do not include the participation of countries in the GEF's 11 global projects or in the SGP. In the next pages, the 112 projects are covered, excluding other activities funded by the GET such as the SGP (US$10 million); the PRINCE (US$2.6 million); and activities supported by the PRIF and the PPA (US$22.4 million). Table 3.1 presents a breakdown of the 112 GET projects.

TABLE 3.1: BREAKDOWN OF GET BY TYPE OF GEOGRAPHIC COVERAGE

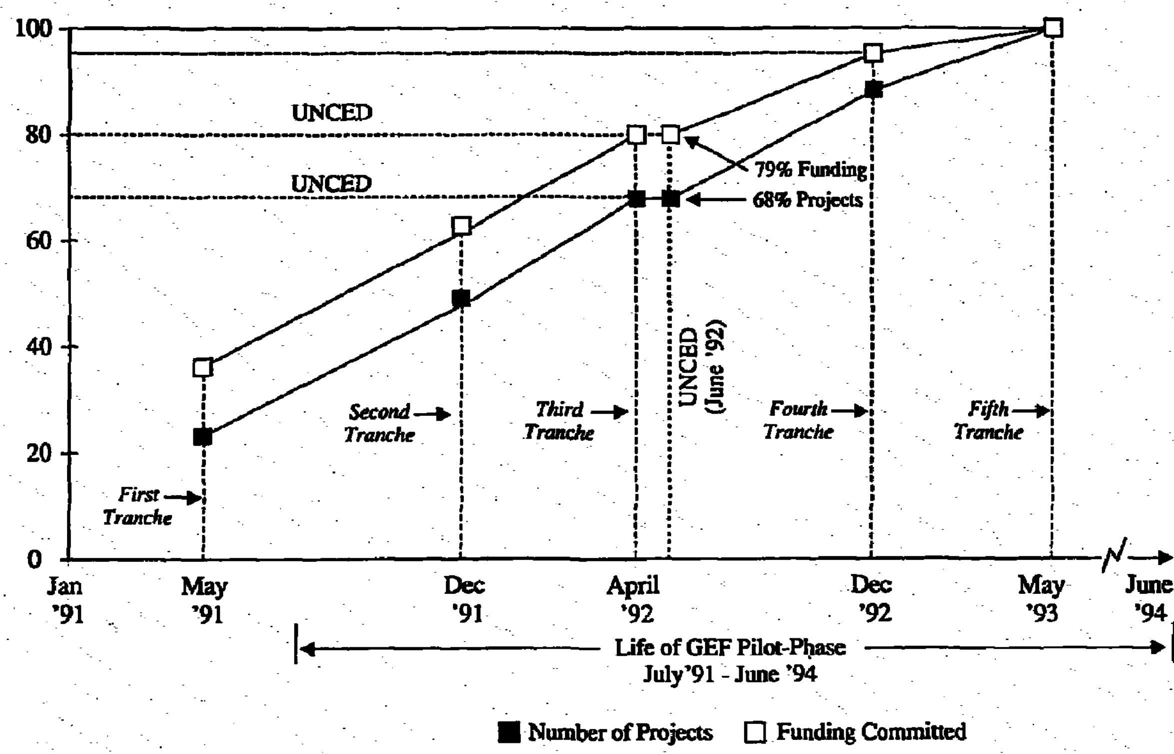
	Project	*Countries*	*US$ mill.*
Country Projects	82	63	541.9
Regional Projects [a]	19	34	132.4
Global Projects [b]	11	Unspecified	37.8
Total	112		712.1

a. Projects involving several countries.
b. Global research and interregional projects.

The Five Tranches and Pace of Project Authorizations

According to GEF procedures and the requirement for the participants' authorization of the allocation of GET resources, the implementing agencies have submitted five work programs for review. The dates, project components, and funding levels of these tranches as of June 30, 1993, are depicted in Figure 3.1. Two-thirds of the projects and 80 percent of the funding were authorized in time for UNCED (June 1992). All funding was authorized by the end of the second fiscal year (May 1993).

FIGURE 3.1: FUNDING AND NUMBER OF PROJECTS BY TRANCHES THROUGH THE LIFE OF THE GEF PILOT PHASE, AS PERCENTAGES FROM TOTAL AT THE END OF THE FIFTH TRANCHE



Note: Information as of June 30, 1993.

The Four Focal Areas: Their Allocations and Evolution in the Tranches and Regions

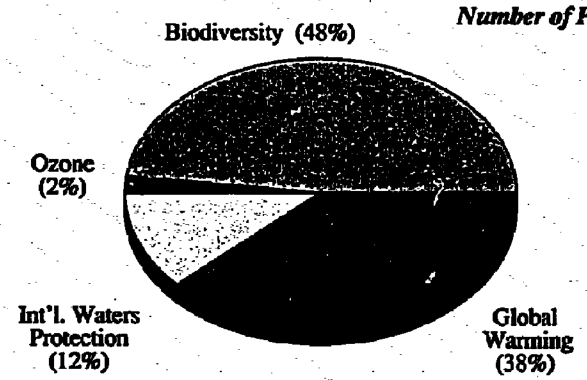
The initial plan for the allocation of GET resources among the four focal areas established that 40–50 percent would be applied to reduce global warming, 30–40 percent to conserve biological diversity, and 10–20 percent to protect international waters. These percentages included 10–20 percent for research and monitoring recommended by STAP. Most ozone projects are funded by the Multilateral Fund of the Montreal Protocol (MFMP). Figure 3.2 depicts the allocations of the five tranches combined by focal area.

The emphasis of the pilot phase was to be on activities addressing global warming, as suggested by the original plan for allocations. However, the biodiversity focal area, with its loosely defined criteria, broader applicability to developing countries, and the accumulated demand, resulted in a larger number of project proposals. As a consequence, the volume of global warming activity has fallen somewhat short of the goal set for the pilot phase. Allocations for the international waters pollution focal area were from the start considered a lower priority.[4]

Sixty percent of the biodiversity projects (70 percent of funding) were authorized by the participants within the first year of the pilot phase

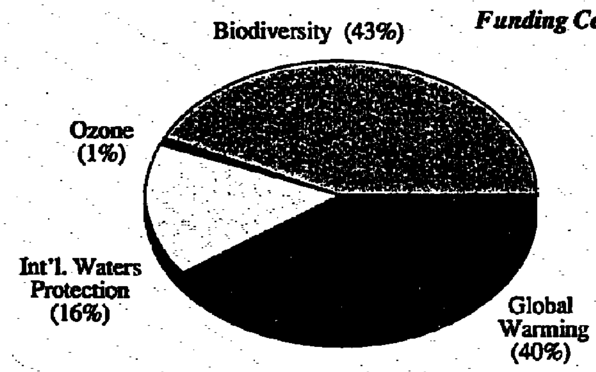
FIGURE 3.2: FUNDING AND NUMBER OF PROJECTS BY FOCAL AREAS (ALL FIVE TRANCHES AND IMPLEMENTING AGENCIES)

Number of Projects



Focal Area	Number
Biodiversity	55
Global Warming	42
International Waters Protection	13
Ozone	2
Total	112

Funding Committed



Focal Area	US$ Millions
Biodiversity	$309.15
Global Warming	$281.30
Intern'l. Waters Protection	$115.95
Ozone	$5.70
Total	$712.10

Note: Information as of June 30, 1993.

(the first two tranches). Only 40 percent of the global warming projects (but 60 percent of funding) were authorized in the first year (the first two tranches). A special effort was made at the time of the fourth tranche to increase the allocations for global warming (almost 60 percent of fourth tranche projects were for global warming). About 83 percent of the total funding and 87 percent of the projects are in biodiversity and global warming combined.

Since most projects for the ozone depletion focal area are funded from the MFMP, GEF resources have not been required. However, two projects fall outside the eligibility requirements of the Montreal Protocol included under the GEF program and are classified in the ozone depletion focal area: (a) the UNDP project for Latin America Southern Cone Monitoring (US$1.9 million); and (b) the World Bank project for Ozone Depleting Substances Reduction in the Czech and Slovak Republics (US$3.8 million).

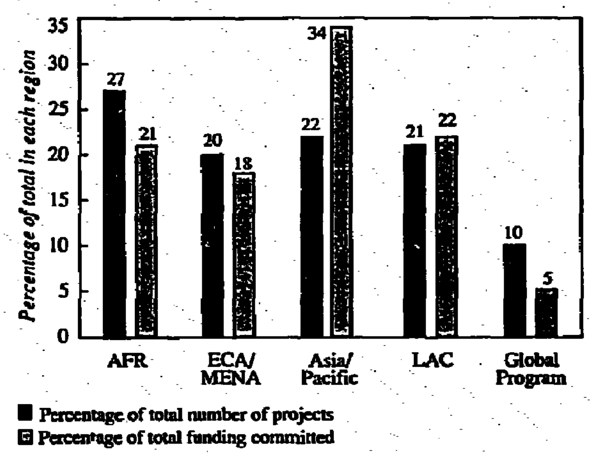
Pilot Phase Allocations and Geographic Distribution

One of the consistent aims of the GEF during the pilot phase has been to ensure a balance in the allocation of resources among the geographic regions. The geographic regions for the GEF operations during the pilot phase are designated as (a) Africa (AFR); (b) Europe and Central Asia/Middle East and Northern Africa (ECA/MENA); (c) Asia and the Pacific; and (d) Latin America and the Caribbean (LAC). This grouping does not follow the patterns currently used by the World Bank (six regions—four when the GEF was started), UNDP (five regions), and UNEP.[5] The balance in geographic allocations seems somewhat arbitrary as the groupings can be structured in various patterns according to different criteria. The populations and number of eligible countries among the regions vary substantially.

How has the geographic distribution worked out during the pilot phase? Figure 3.3 shows the distribution of projects by number and authorized funding. The projects are nearly equally distributed among the four regions. The somewhat higher amount of funding for the Asia and Pacific Region is a result of the World Bank investments in three major projects greater than US$25 million, two for global warming (Philippines US$30 million and India US$26 million) and one for international waters (China US$30 million) for a total of US$86 million.[6]

The number of countries with GEF projects (excluding regional and global projects) during the pilot phase is listed in Table 3.2.

Figure 3.3: Funding and Number of Projects by GEF Geographic Regions (all tranches and implementing agencies)



Region	Number of projects	US$
AFR	30	$148.65
ECA/MENA	22	$123.95
Asia & the Pacific	25	$242.1
LAC	24	$159.6
Global Program	11	$37.8
Total	112	$712.10

Note: Information as of June 30, 1993.

Table 3.2: Countries with GET Projects by Regions

Region	Countries with Projects[a]	Eligible Countries[b]
AFR	20	43
ECA/MENA	15	24
Asia and Pacific	13	34
LAC	15	36
Total	63	137

a. Not including countries participating in regional or global projects.
b. Per capita income of less than US$4,000 a year (October 1989) and a UNDP program in place. Does not include the newly independent states (NIS) of the former Soviet Union and the Czech and Slovak Republics.

This distribution of GEF projects is relatively even. However, six countries are the major recipients of GEF funding: China (four projects for US$52 million), Philippines (two projects for US$50 million), India (four projects for US$40.5 million), Mexico (two projects for US$35 million), Brazil (two projects for US$37.7 million), and Poland (two projects for US$29.5 million). These six countries account for one-third (US$244.7 million) of GET funding for the pilot phase. China, India, Mexico, Brazil, Poland, and the Philippines are large countries with perhaps the greatest opportunities among developing countries for helping in the achievement of focal area objectives.

Table 3.3: Number of Projects and Funding by Focal Area and Regions

(a) Number of Projects

Focal Area	AFR	Asia & Pacific	LAC	ECA/ MENA	Global	Total
Biodiversity	17	11	14	9	4	55
Global Warming	11	12	7	6	6	42
Int'l Waters	2	2	2	6	1	13
Ozone	0	0	1	1	0	2
Total	30	25	24	22	11	112

(b) Funding Authorized by Participants (US$ million)

Focal Area	AFR	Asia & Pacific	LAC	ECA/ MENA	Global	Total
Biodiversity	76.15	74.60	107.80	37.60	13.00	309.15
Global Warming	56.50	129.50	30.40	42.70	22.20	281.30
Int'l Waters	16.00	38.00	19.50	39.85	2.60	115.95
Ozone	0	0	1.90	3.80	0	5.70
Total	148.65	242.10	159.60	123.95	37.80	712.10

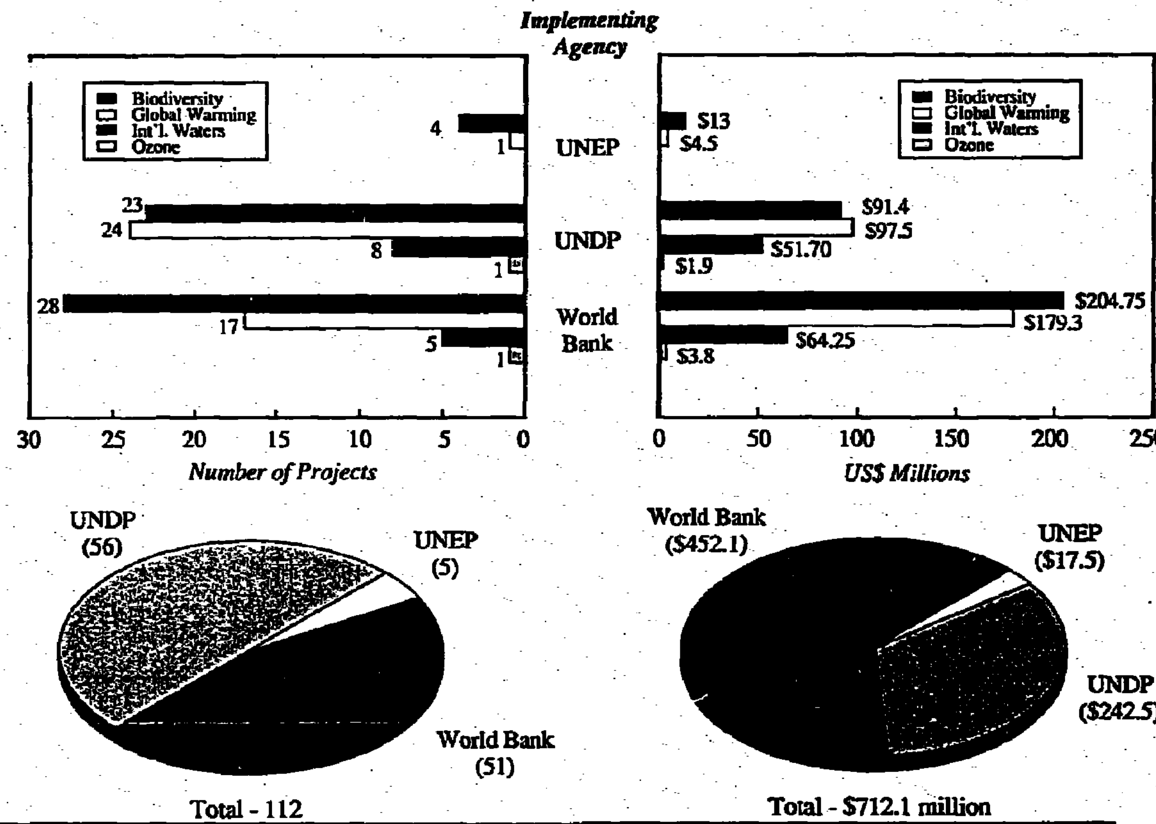
Note: SGP (US$10 million) and PRINCE (US$2.6 million) are not included.

The number of GET projects and the funding authorized by region and focal areas are presented in Table 3.3. Table 3.3 (a) shows the number of projects by focal areas distributed by region, while Table 3.3 (b) shows the funding committed by the participants. Biodiversity projects are concentrated in the AFR and LAC Regions, both in number and funding allocated. Half of the funding for the Asia and Pacific Region was allocated for the global warming focal area. Half of the international waters protection projects are located in ECA/MENA although this region received only 34 percent of the funding for this focal area. However, no overall strategy on focal area concentrations by geographic area has been established.

Implementing Agencies and the Allocation of GET Pilot Phase Resources

An important dimension of the profile of the GET for the pilot phase is the allocation over the five tranches of GET resources among the implementing agencies and the focal areas and regions of their activity (Figure 3.4). Overall, UNDP is responsible for 56 projects,[7] or about half of the pilot phase portfolio, with GET funding of US$252.5 million (US$242.5 million for 56 projects plus US$10 million for the SGP) or 35 percent of the total GET resources committed. During the initial stages of planning for the GEF, it was assumed that UNDP would receive only 5 percent, but after the participants' December 1991 meeting, it was agreed to

FIGURE 3.4: FUNDING AND NUMBER OF PROJECTS BY IMPLEMENTING AGENCIES (ALL FIVE TRANCHES, REGIONS, AND FOCAL AREAS)



increase the level to about 30 percent.[8] The World Bank is responsible for 51 projects or 46 percent of the portfolio. The World Bank's share of the funds is US$452.1 million or 63 percent. UNEP has five projects for US$17.5 million, about 2.5 percent.

Both the World Bank and UNDP are heavily engaged in biodiversity and global warming projects, with the World Bank's projects having the larger funding to finance capital expenditures. Over half of the World Bank's projects are in the biodiversity focal area. Of the World Bank's projects with GEF funding over US$20 million, four are in global warming (Poland, Philippines, Nigeria, India), three in biodiversity (Mexico, Philippines, Brazil), and one in international waters protection (China). UNDP's major country projects (US$5–10 million) include six in global warming and four in biodiversity. UNDP also has substantial resources (US$89.9 million) allocated for regional projects: five in biodiversity, five in international waters, five in global warming, and one in reduction of ozone depleting substances. The GEF also is funding through the UNDP six global projects for US$20.3 million: five in global warming and one in international waters. UNEP's five global research projects for US$17.5 million include four in biodiversity and one in global warming.

One of the key features of the GEF has been the aim of "developing a tripartite (UNEP, UNDP, the World Bank) arrangement for carrying out this program, which could *utilize the comparative advantage of each*" (emphasis added).[9] For funding and project allocation purposes, the comparative advantages have been expressed as UNEP's experience with research, UNDP with technical assistance and pre-investment studies, and the World Bank with investment projects. As the GEF projects illustrate, this distinction as presented in the Chairman's reports on projects is imprecise. All of the World Bank projects include technical assistance and several have substantial technical assistance activity. For example, more than half of the funding for Ecuador Biodiversity Protection, Congo Wildlands Management and Protection, Egypt Red Sea Coastal and Marine Research Management Plan, Mauritius Bagasse Energy Subproject, and Romania/Ukraine Danube Delta Biodiversity is for technical assistance activities. The availability of grant funds to the World Bank—more acceptable than loans to developing countries for technical assistance—opens the door for greater funding for technical assistance in its projects. While UNDP projects for the most part are technical assistance, some of them, such as Coal-Bed Methane (China), are largely investment oriented. Research and studies are being carried out by all three agencies.

Project Size

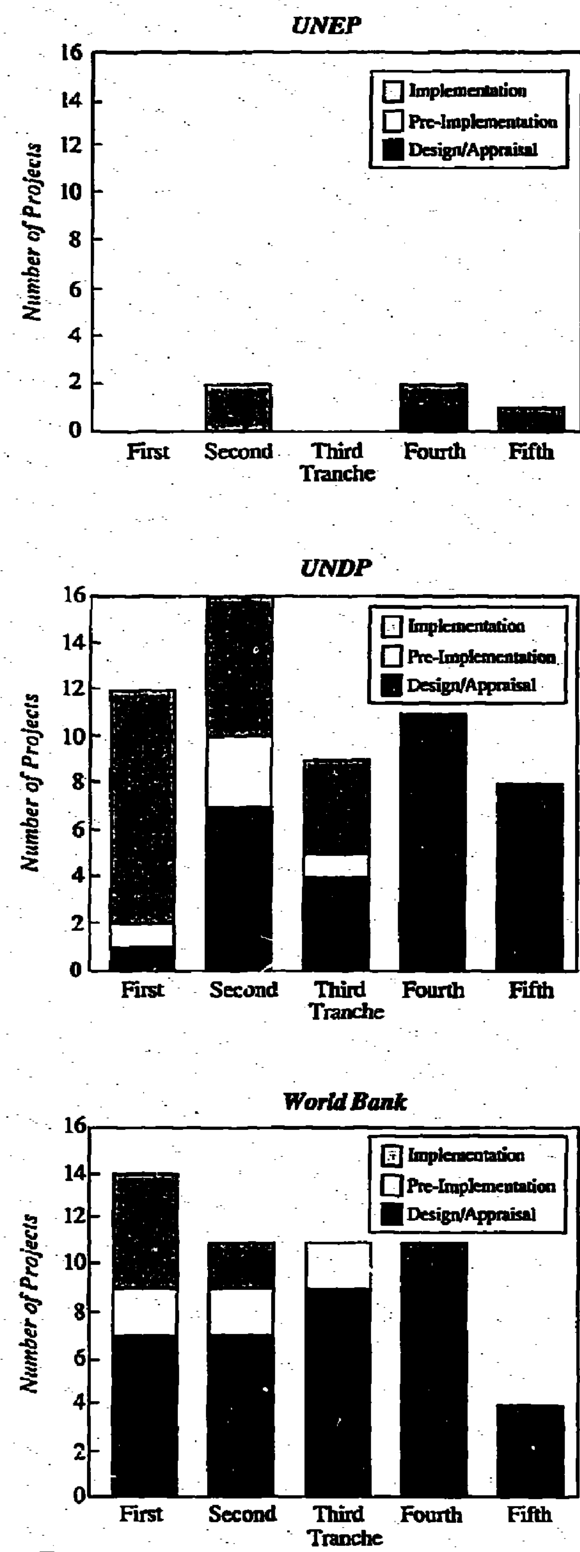
The Implementation Committee for the pilot phase established guidelines on the size of projects to ensure that the GET resources would not be absorbed by a few projects. For the World Bank, these limits were set at US$30 million for projects associated with regular World Bank projects and US$10 million for free-standing projects. For UNDP, the limit was also set at US$10 million for its technical assistance projects. A review of the GEF portfolio of 112 projects shows that:

- Most projects are less than US$5 million (70 projects or 63 percent); 28 percent are between US$5 million and US$10 million;
- For UNDP, 66 percent of its projects are less than US$5 million and none is over US$10 million;
- For the World Bank, 80 percent of its projects are under US$10 million with four greater than US$25 million allocated in the first tranche;
- For UNEP, all of its projects are under US$5 million;
- By focal area, two-thirds of the projects for biodiversity and global warming are under US$5 million and six are US$20 million or more (two for biodiversity and four for global warming); international waters projects have tended to be somewhat larger on average with half of them in the US$5–10 million range;
- There has been a decrease in the average size of projects by tranche, from US$10 million (first tranche) to US$2.6 million (fifth tranche) as the availability of funds declined but distribution aims were maintained. As a result, a number of the projects may be underfunded; others may require significant additional resources from the GEF to meet the demand for financial sustainability.

The Status of GEF Project Processing and Approvals

The several stages of GEF project processing include (a) project identification; (b) technical review prior to tranche approval; (c) tranche approval; (d) project design and appraisal and agency approval; (e) pre-implementation; (f) implementation; and (g) project completion and evaluation. Chapter 8 reviews in detail these components of the GEF project processing cycle. A brief discussion here, however, provides an overview of the project pipeline as an important feature of the GEF portfolio profile.

FIGURE 3.5: STATUS OF GET-FUNDED PROJECTS FOR THE THREE IMPLEMENTING AGENCIES (AS OF JUNE 30, 1993)



With the participants' authorization of the fifth tranche, all of the 112 GEF projects in the pilot phase have been returned to their respective implementing agencies for design and appraisal, approval of commitments, and implementation. The status of the GEF portfolio as of June 30, 1993, is shown in Figure 3.5.

Three stages of the GEF project processing procedures were chosen to describe the pipeline: (a) design and appraisal; (b) pre-implementation (approved by the implementing agencies but not signed by the national government); and (c) implementation (signed by the national government). As of June 30, 1993, about two-thirds of the projects were in the design or appraisal stage; of these 69 projects, eight are from the first tranche (authorized in April 1991) and 14 from the second tranche (December 1991). The implementing agencies have approved the other 43 projects of which 32 have been signed by the national governments. Only 45 percent (25 projects) of the 55 projects from the first and second tranches have reached the implementation stage: 16 are administrated by UNDP, two by UNEP, and seven by the World Bank. Disbursements as of June 30, 1993, are US$24.54 million, with the first disbursement of a GEF project beginning in March 1992.

World Bank-associated Projects and Free-standing Projects

The number of free-standing projects managed by the World Bank was originally expected to be very small. However, 21 out of 51 World Bank–implemented GEF investment projects are free-standing—nearly half of its portfolio.[10] Originally, 37 projects were authorized as GEF components (associated projects) of regular World Bank projects in the five tranches. As of June 30, 1993, 28 are still associated, and eight have become free-standing. One was removed from the GEF portfolio.[11] As a result, US$53.5 million (biodiversity US$39.0 million, global

TABLE 3.4: WORLD BANK GEF PROJECTS ASSOCIATED WITH REGULAR WORLD BANK PROJECTS (US$ MILLION)

					Project Average		
Focal Area	*No. of Projects*	*GET Funding*	*World Bank Funding*	*Total*	*GET*	*Bank*	*Total*
Biodiversity	12	119.0	525.8	644.8	9.9	43.8	53.7
Global Warming	13	157.5	2253.0	2410.5	12.1	173.3	185.4
International Waters	4	58.8	405.6	464.3	14.7	101.4	116.1
Total	29	335.3	3184.4	3519.6	11.6	113.7	121.4

warming US$14.5 million) of GEF funding has been separated from regular World Bank lending of US$1,065.5 million (biodiversity-related US$236.5 million; global warming-related US$829.0 million).[12] The following is the list of projects that were authorized as associated, yet subsequently became free-standing.

- Biodiversity:
  - ➤ Kenya Tana River Primates Project
  - ➤ Indonesia Biodiversity Conservation Project[13]
  - ➤ Algeria El Kala National Park Project
  - ➤ Czechoslovakia Planning and Management of Czech and Slovak Reserves: Czech Republic Planning and Management of Czech Reserves Project, Slovak Republic Planning and Management of Slovak Reserves Project), and Ukraine Carpathian Mountains Biodiversity Project[14]
  - ➤ Bolivia Protected Area System Project

TABLE 3.5: WORLD BANK FREE-STANDING GEF PROJECTS (US$ MILLION)

Focal Area	*No. of Projects*	*GET Funding*	*Average GET*
Biodiversity	15	78.8	5.3
Global Warming	4	21.8	5.5
International Waters	1	5.5	5.5
Ozone	1	3.8	3.8
Total	21	109.9	5.2

- Global Warming
  - ➤ Iran Reducing Emissions from Urban Transport in Teheran Project
  - ➤ Morocco Repowering of Existing Power Plants
  - ➤ Mexico High Efficiency Lighting Project
  - ➤ Ecuador ENDESA/BOTROSA Afforestation Project (dropped)

GET funding for GEF components averaged about US$11.6 million; for free-standing GEF projects, the average is about US$5.2 million (Tables 3.4 and 3.5). However, of the 29 GET components only nine are larger than US$10 million, which is the cap for free-standing projects. Excluding these nine, the average GET funding decreases to US$5.5 million, which is not very different from the size of free-standing projects. World Bank–associated projects in the global warming focal area tend to be larger than their counterparts in the biodiversity and international waters focal areas.

No GEF ozone project has been associated with a regular World Bank project. (See Chapter 8 for a discussion of free-standing and associated projects.)

GEF Cofinancing

Seven countries—Australia, Belgium, Canada, Japan, Norway, Switzerland, and the United States—have pledged to cofinance GEF projects. The cofinancing pledges from Belgium, Canada, Japan, Norway, and Switzerland are additional to their contributions to the core funds of the GET. Australia and the United States have not contributed to the GET during the pilot phase.

GEF cofinancing is expected to be untied-grants or highly concessional loans. Australia, Norway, and Switzerland have created trust funds and designated the World Bank and UNDP as the administrators. Canada and Belgium are expected to follow a similar path,[15] whereas funds made available by Japan and the United States are administered by their government agencies. Among so-called GEF cofinanciers, Japan and the United States present special cases. Japan's cofinancing takes the form of concessional loans, which follow OECF standard procedures.[16] The United States' cofinancing is administered by the United States Agency for International Development (USAID) and not necessarily provided to a GET-financed project. It follows a parallel stream of project identification, preparation, and authorization.

The GEF cofinancing pledges amount to US$324.0 million.[17] By June 30, 1993, GEF cofinanciers had expressed an interest in financing sixteen projects (four UNDP, five World Bank, and seven United States-Parallel) totaling US$129.8 million. While many of these projects are not yet approved by the management of the implementing agencies, 40.0 percent (or 50.7 percent excluding Japan and the United States) of the funds available through GEF cofinancing have been earmarked for specific projects.

GEF cofinancing is not necessarily an addition to the funds available through the GET. For example, originally US$15.0 million of GET funds was earmarked for the Thailand Promotion of Electric Energy Efficiency Project. As US$6.0 million Australian GEF cofinancing became available, the GET allocation was reduced to US$9.5 million. Similarly, US$30.0 million was earmarked for the India Non-Conventional Energy Projects at the participants' authorization. Later the figure was reduced to US$26.0 million, as US$4.0 million Swiss GEF cofinancing became available. On the other hand, Swiss GEF cofinancing of US$3.9 million to the Bolivia Biodiversity Conservation Project (GET US$4.5 million) is an example of additional funding.

Other Non-GEF Financing

The GEF was expected to play a catalytic role in resource mobilization. As of June 30, 1993, 14 GEF investment projects had been approved by the World Bank management. Of those, nine are in the biodiversity focal area, three in global warming, and two in international waters. Five projects (all biodiversity) are free-standing, whereas the nine others are GEF components of World Bank projects. On average, GEF resources (GET plus GEF cofinancing) cover 39.5 percent of total project costs including the costs for the non-GEF component. The contribution of the GEF is most significant in biodiversity projects (53.6 percent average) and international waters projects (23.5 percent). In the case of global warming projects, only 6.1 percent of the total project cost is financed by the GEF. Cost sharing by the host government or the grant recipient is 18.8 percent on the average (15.7 percent biodiversity, 25.0 percent global warming, and 17.8 percent international waters). The remaining financial requirements are planned to be met by non-GEF bilateral sources, NGOs, or private or commercial sources. The World Bank, that is, the International Bank for Reconstruction and Development (IBRD), and/or International Development Association (IDA) financing would cover 38.2 percent of total projects (excluding free-standing projects). In biodiversity projects, the World Bank's share is 55.2 percent (excluding free-standing projects). Figures for global warming and international waters projects are 28.1 percent and 19.6 percent, respectively.

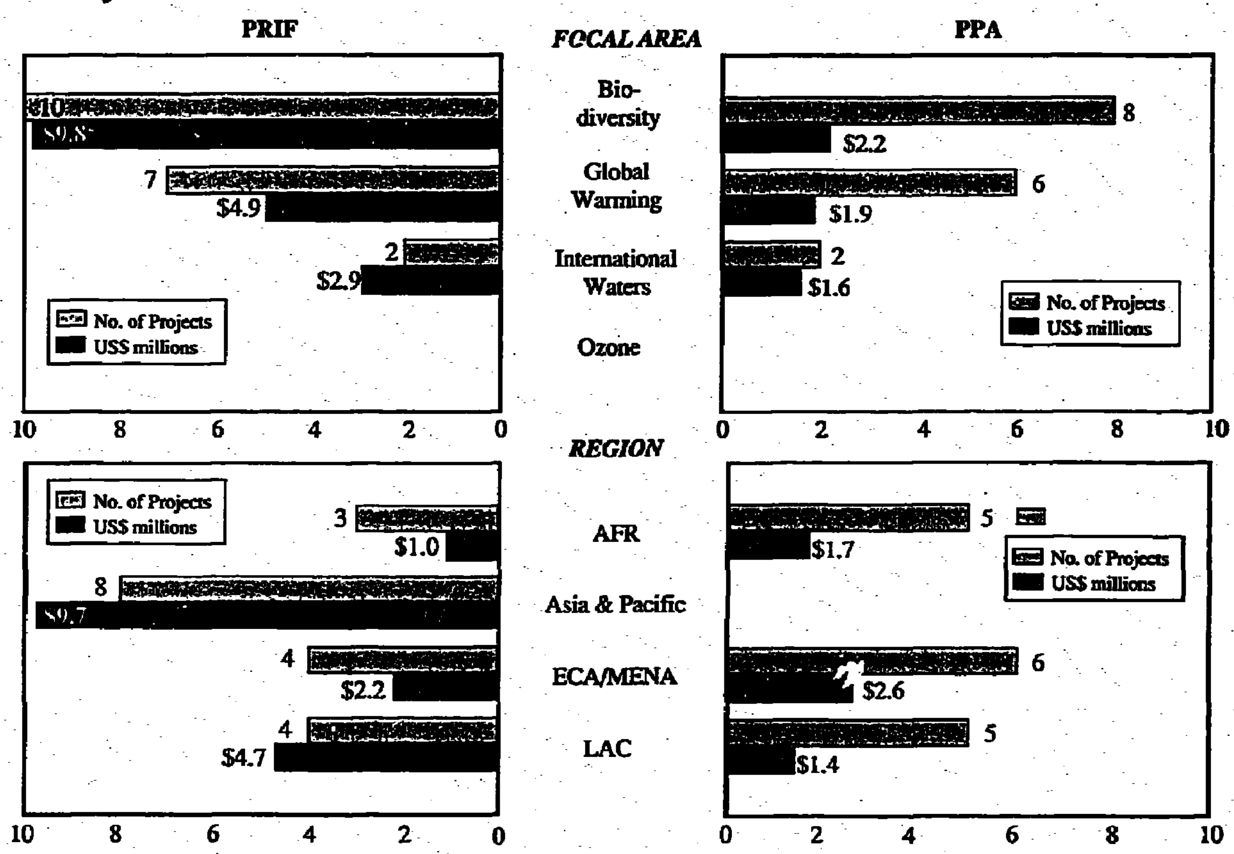
Of the projects approved by the World Bank, none of the nine biodiversity projects is designed to seek financing from private or commercial sources, whereas a majority of the global warming projects and one international waters project plan to do so. Evidence suggests that GEF resources have mobilized a relatively large amount of additional funding for global warming projects, yet have not done so for biodiversity projects.

The GEF Pre-investment Facilities

The GEF recognized that many activities require upstream work to establish their technical feasibility. UNDP was assigned the responsibility for coordinating the financing of GEF PRIF work, with a ceiling of US$2.5 million for individual activities. Nineteen PRIF activities have been cleared for processing, totaling US$17.5 million, during the pilot phase. Ten of the PRIFs are in the biodiversity area, seven in global warming, and two in international waters (Figure 3.6). PRIF geographic concentration is as follows: AFR, three; Asia and Pacific, eight; ECA/MENA, four; and LAC, four.

In April 1992, the World Bank set up its own "pre-investment" facility—Project Preparation Advances. As of June 1993, the World Bank had approved PPA funding for 19 activities, totaling US$4.8 million. Ten are in the biodiversity focal area, six in global warming, and three in international waters. Geographically, five are in AFR, eight in ECA/MENA, and six in LAC

FIGURE 3.6: ALLOCATION OF PRIFS AND PPAS BY FOCAL AREAS AND GEOGRAPHIC REGIONS



Note: Information as of June 30, 1993.

(Figure 3.6). Chapter 8 comments on the use of PRIFs and PPAs and Annex 3 lists all PPAs and PRIFs, as of June 30, 1993.

Endnotes

1. "Authorization" refers to the participants' endorsement of the tranches during their semiannual meetings and the projects included in the tranches including funding levels; "approved commitment" refers to the implementing agencies' approval of projects and their funding by management.

2. The World Bank, "Establishment of the Global Environment Facility," Attachment A, February 1991, para. 5, p. 2. "The Facility should be established quickly in order to acquire experience which could provide a useful input into the deliberations of UNCED in 1992."

3. The SGP and the Program for Measuring Implementing Costs for the Environment are not included in the 112 projects. Figures in Annex 2 may differ from those provided in the *Report by the Chairman to the May 1993 Participants' Meeting* (UNDP, UNEP, and World Bank, 1993). The present analysis is based on information collected and provided by each of the implementing agencies, as of June 30, 1993 (Annex 2).

4. STAP recommended "that approximately 30 percent of the resources be spent on reduction of pollution in river systems and coastal areas; 25 percent on integrated land/water use management in water scarce areas; 25 percent on protection of marine productivity and marine ecosystems; and 20 percent on increases in capabilities for environmental assessment and management." UNEP supported STAP's recommendations, but the other two implementing agencies and the participants were not in favor of using GEF resources for land and water use management in water scarce areas. *Report by the Chairman to the December 1991 Participants' Meeting*, Part One, para. 27.

5. The World Bank regions are: Africa, East Asia and Pacific, South Asia, Europe and Central Asia, Middle East and North Africa, Latin America and the Caribbean. For UNDP, the regions are Africa, Arab States, Asia and Pacific, Europe and C.I.S., Latin America and the Caribbean. The country makeup of the regions differs among the agencies as well. UNEP's terrestrial regions are: Africa, Latin America and the Caribbean, West Asia, Asia and the Pacific, Europe, and North America. In the case of marine programs, UNEP's regions are: the Mediterranean (including the Black Sea), the Pacific, East Asian Seas, Indian Ocean (including the Persian/Arabian Gulf and the Red Sea), and the Atlantic.

6. Other major World Bank projects in the other regions are: Brazil biodiversity (US$30 million), Mexico biodiversity (US$25 million), and two global warming projects—one in Poland (US$25 million) and one in Nigeria (US$25 million). These seven projects amounted to US$191 million or about 27 percent of the total GET funds.

7. Plus the SGP.

8. See reference to US$40 million in the World Bank and UNDP agreement establishing the UNDP/GEF Trust Fund.

9. The World Bank, "Establishment of the Global Environment Facility," Attachment A, February 1991, para. 3, p. 2.

10. "Establishment of the Global Environment Facility," Attachment A says: "There are also likely to be some free-standing GEF investment projects...." Similarly, OD 9.01, May 1992, reads: "Normally, GEF projects are investment operations and are expected to be components of World Bank-financed projects in related fields; on an exceptional basis, however, they can be free-standing investment operations."

11. ENDESA/BOTROSA was dropped from the list as it did not become free-standing (it was always associated with an IFC equity investment/loan).

12. As authorized in tranches.

13. Indonesia Biodiversity—the original project is being split into two projects, one which will be free-standing, the other which will continue to be associated with a World Bank loan.

14. The Ukraine Carpathian Mountains Biodiversity Protection Project first appeared in the Monthly Operations Report, January 31, 1993, as the "transborder counterpart to Czech & Slovak Carpathian Mountains preservation component."

15. Agreement on GEF cofinancing with Belgium and Canada had not been finalized by June 30, 1993.

16. The only exception to the standard procedures is the minimum loan size, which is US$10 million instead of normal US$25 million.

17. Japan's pledge of US$181.8 million is calculated as US$115.67 million grant equivalent.

4. The Policy Framework for the GEF Pilot Phase

Origins of the GEF and Implications for Policy

Donor Initiatives and Early Planning

Global problems require global cooperation. Biodiversity loss, global warming, international waters pollution, and ozone layer depletion are examples of such global concerns that, appropriately, have been made the initial targets of the GEF. "Because these problems are global, international cooperation will be essential for devising and implementing strategies to maintain the earth's natural resource base."[1]

UNEP began to attend to global environmental issues from its very inception in 1973. However, UNEP's Governing Council defined much wider global issues than can be recognized by the GEF at present. The Council took the view that environmental problems shared by many or all countries, and that cannot be solved without international cooperation, should be considered and addressed as global problems.

In the fields addressed by the GEF, as early as 1974 UNEP established two coordinating committees for ozone and carbon dioxide, which were instrumental in the development of the Climate Change Convention, the Ozone Protection Convention, and its Montreal Protocol. In the same year, a global program for the protection of the oceans was launched by UNEP, which resulted in eight regional seas conventions and ten intergovernmental programs involving 127 countries. UNEP's program on the protection of biological diversity served as the basis for the adoption of the Biodiversity Convention.

The "Environmental Perspective to the Year 2000 and Beyond" was prepared by UNEP. It was adopted in 1987 by the United Nations General Assembly and paved the way leading to UNCED and the adoption of Agenda 21.

UNEP's meager financial resources were intended to be used to catalyze the development of various programs of global significance, and were clearly inadequate for launching and supporting any major program. Therefore, in the 1980s a clearinghouse was created in UNEP to mobilize bilateral and multilateral support for environmental management in developing countries. The clearinghouse also raised some funds for regional and global environmental initiatives.

The genesis of the GEF may be traced to the World Commission on Environment and Development. Its report, *Our Common Future* (Oxford University Press, 1987, popularly known as the Brundtland Report), recommended that serious consideration be given to setting up a "special international banking program or facility...to finance investments in conservation projects and national strategies" that would enhance the resource base for development.[2]

Within the World Bank, there was much interest in mobilizing international funds to help integrate environmental concerns in regular World Bank activities, without any initial emphasis on global issues. World Bank internal memoranda dating back to 1986 show a number of proposals. In 1988, the subject was raised at the April meeting of the Development Committee (a joint World Bank-International Monetary Fund ministerial advisory group), but there was a general feeling within the World Bank that soliciting donor finance for the environment might get in the way of mobilizing resources for IDA replenishment, and the subject was therefore kept out of public discussion.

In September 1989, a concrete proposal was put forward by the French representative of the Development Committee to establish an environmental facility, backed by substantial French financial support. Germany tabled a similar proposal. Accordingly, at the same meeting the World Bank was requested to assess the requirements for additional funding and explore the potential for donor support for addressing global environmental concerns in developing countries through such an entity. The emphasis on global concerns was developed in the World Bank by a working group that had identified the four focal areas that came later to be addressed by the GEF.[3]

During subsequent discussions with potential donors, the four focal areas of the program were endorsed, and the World Bank was asked to consult with UNEP and the UNDP with the view of setting up a tripartite arrangement that would mobilize the comparative advantage of each institution toward the realization of the program without creating a new bureaucracy.

In March 1990, the World Bank convened a meeting that was attended by officials from UNEP and UNDP, as well as by representatives of 17 interested donor countries.[4] The purpose was to determine if there was enough interest in the initiative and to consider later steps. As a result of this meeting and a subsequent Development Committee meeting held in May 1990, the World Bank began to design a framework for the proposed facility. In June 1990, the Governing Council of UNDP took note of the concept and objectives of the GEF and gave support to the idea of a partnership among the three agencies.

The next step was to explore the views of a core group of developing countries. Accordingly, a representative group of seven developing countries[5] was invited to join two meetings held in June and September 1990. Broad agreement was reached among the countries assembled, both developed and developing, henceforth to be known as the GEF "participants," on a number of elements that have defined GEF since that time.[6] Affirmation of the tripartite partnership among the World Bank, UNDP, and UNEP was given in a joint statement by the three heads of the agencies in September 1990. In November 1990, the more than 30 developed and developing countries met in Paris to review the final draft agreement on the establishment of the pilot phase, review examples of possible GEF-eligible projects, and pledge funds for the new facility. This founding meeting of the GEF pilot phase confirmed a number of key design elements, such as the ceiling of GEF free-standing projects as a means of maximizing the associated World Bank project financing.

In February 1991, World Bank management put forward a memorandum embodying a formal resolution for board approval to establish the GEF, accompanied by a set of documents that described the new entity and its future functions, together with the arrangements tentatively agreed on for its financing, operational modalities, organization, and governance. This was later known as the Enabling Memorandum. The World Bank's board approved this proposal on March 14, 1991, by its Resolution

No. 91–5, which was followed later by the interagency agreement between the World Bank, UNDP, and UNEP.

In February 1991, the Committee of Permanent Representatives to UNEP reviewed UNEP's involvement in the GEF, and in May of the same year, UNEP's Governing Council endorsed UNEP's involvement in the GEF (Decision 16/47). After consultations among the three implementing agencies in March 1991, UNEP established GEF's STAP, and assumed the role of the STAP Secretariat.

The establishment of the GEF, however, was not completed until the formal signing on October 28, 1991, of the Tripartite Agreement for "Operational Cooperation under the Global Environment Facility" by the three heads of the implementing agencies. For the World Bank, this put into effect Board Resolution 91–5. Meanwhile, two formal agreements related to the GEF had been signed: one (in March 1991) by the heads of the three implementing agencies, setting out procedural arrangements for cooperation to protect the ozone layer in the context of the Vienna Convention and the Montreal Protocol (on substances that Deplete the Ozone Layer); and the other agreement (in June 1991) between the World Bank and the Executive Committee of the Interim Multilateral Fund for the Montreal Protocol, setting out the terms under which the World Bank would act as a trustee of the Ozone Trust Fund (OTF) under the umbrella of the GEF.

The chairmanship of the GEF was entrusted to the World Bank by the participants. It was initially given on a part-time basis to a Senior Vice President of the World Bank, who was replaced on December 1, 1991, by the current Chairman (also part-time) who is simultaneously the Director of the World Bank Environment Department.

Within the World Bank, two GEF positions were created: a coordinator for World Bank GEF activities in December 1990, and subsequently, an overall GEF (global) administrator in April 1991. Similarly in UNDP, the position of a GEF coordinator was established, and in both agencies other staff was designated to assist in the coordination process at various points in both organizations. UNEP assigned a part-time Focal Point for the GEF. Later on, staff was assigned to assist the Focal Point, who continues on a part-time basis.

Funding and Administration

To reflect the novel and strictly global character of the new entity, it was agreed that GEF resources would be additional to existing aid flows. The three-year Facility was to be funded at 1 billion SDR, roughly US$1.2 billion, a level thought to be large enough to be credible. Funding would be multilateral and broadly based. To avoid the creation of a new bureaucracy, it was agreed that the three implementing agencies would use their existing capacities to put the program into effect. Core funding from the GET would be on grant terms, but cofinancing would be encouraged, provided it was highly concessional and untied.

It was made clear from the outset that not all projects or programs that benefit the global environment would be eligible for GEF support. To be eligible, such activities must also be innovative and able to demonstrate the effectiveness of a particular technology or approach.[7] Emphasis was placed on investment projects, as stressed by the participants, possibly on account of the major role to be assumed by the World Bank both in administering the GEF and being its principal implementing agency, with its known project orientation.

Eligibility for core GEF funding would be restricted to countries with a per capita GNP under US$4,000 in 1989, on condition that they have a UNDP program. It was made clear that the Facility should be established quickly and seek to acquire sufficient experience that could be put forward at the June 1992 UNCED. The World Bank's association with the Facility raised the specter of conditionality attached to foreign assistance, and there was in some quarters such a perception about the World Bank's environmental record. Particularly to dispel perceptions that the GEF was a donor-driven entity, special efforts were thought necessary to encourage developing countries to participate in the GEF and contribute to the trust fund.

The GEF became an "administrative umbrella" for three types of funds:

- The "core" fund, otherwise known as the GET, made up approximately of some US$800 million, contributed or pledged by 28 countries of which 12 are developing nations;[8]

- Cofinancing (and parallel financing) arrangements totaling US$324 million, subscribed by Australia, Belgium, Canada, Japan, Norway, and Switzerland, including US$150 million from the United States in parallel funds, to be administered independently by USAID; and

- Originally some US$200 million were to be provided from the MFMP (to help developing countries phase out ozone depleting substances), but only a small amount of GEF's resources has been used for this purpose in countries (such as those in Eastern Europe) that are not eligible for multilateral fund financing owing to their high per capita consumption of the regulated substances.[9]

The inclusion of countries with transitional economies as potential beneficiaries of the GEF has caused controversy in as much as some of these are, strictly speaking, not developing countries. Their use of the Facility was therefore seen to encroach upon resources that were supposed to be additional to conventional official development assistance.

Within this overall framework, the division of responsibilities among the three implementing agencies was spelled out in the October 1991 document: "Procedural Arrangements among the World Bank, UNEP, and UNDP for Operational Cooperation under the Global Environment Facility." This showed a certain overlap of responsibility and indicated that special efforts were necessary to ensure interagency cooperation. (See Box 9.1 in Chapter 9.)

The Multiple Roles of the GEF

The key elements of the GEF policy framework were determined during the April 1992 participants' meeting and expressed as eight "principles" in the *Pilot Phase and Beyond*.[10] Not all of these of course are *principles*, but they indicate GEF main objectives and modus operandi. These were listed as follows:

- The GEF would provide additional grant and concessional funding of the agreed incremental costs for achieving agreed global environmental benefits;

- The GEF would finance activities that benefit the global environment. It would continue to support its current four focal areas. Land degradation issues, primarily desertification and deforestation, as they relate to the focal areas of the Facility, would be eligible for financing;

- The GEF is available to function as the funding mechanism for agreed global environmental conventions, should the parties to those conventions so desire;

- The GEF would assure the cost-effectiveness of its activities in addressing the targeted global environmental issues;

- The GEF would fund programs and projects that are country driven and consistent with national priorities designed to support sustainable development;

- The GEF would build on proven institutional structures, thus avoiding the creation of new institutions;
- The GEF must be transparent and accountable to contributors and beneficiaries alike; and
- The GEF would have sufficient flexibility to introduce modifications as the need arises.

The GEF was viewed primarily as a vehicle for cooperation in protecting the environment; it was not seen as a vehicle of individual countries, but of the globe as a whole, and of its constituent regions that lie outside individual country boundaries.[11] "The GEF, by exploring cost-effective approaches to global environment investments, should make it possible to move more rapidly in translating the objectives and commitments of...global conventions into specific operational and funding activities."[12]

GEF activities were to be distinct from regular development programs and projects so that GEF resources would be additional to the usual aid flows and support activities that are not already being financed. The stress on projects in the GEF agenda was reinforced by an elaborate distinction among three types of projects. Type 1 Projects, where domestic benefits exceed domestic costs, are ineligible for GEF financing "unless Participants agree in advance by consensus that a compelling case has been made that, despite the project's attractive rate of return, it could not proceed without GEF involvement."[13] A Type 2 Project is one that is not viable from a country's perspective, but can be made viable with a GEF contribution that would be forthcoming only if the project met the required cost-effectiveness criteria and brought in "substantial global environmental benefits."[14] A Type 3 Project is one that, though justifiable from a country perspective, and hence normally ineligible for GEF financing, can be made to yield additional global benefits with additional funds from the GEF, provided also that such a project lies within the cost-effectiveness guidelines.

In the course of implementation, this project taxonomy has not proved to be very clear cut, with some confusion about classifying projects —for example, classifying projects for phasing out chlorofluorocarbons (CFCs) as Type 3 Projects. This taxonomy, moreover, has had grave implications for the operations of the GEF during the pilot phase. Among other things, it reinforced the project-by-project approach that has come to dominate GEF activities and has diverted attention from a broader approach to devise critical activities that might have much greater global environmental impacts. It also gave support to the impression that the incremental cost principle was indispensable to GEF funding during the pilot phase, an impression that is contradicted by the way this principle has been applied in practice.

Agenda 21 and the Environment Conventions

With the June 1992 UNCED meeting approaching, GEF set out rapidly to acquire operational capabilities with a view to demonstrating its ability to serve as the funding mechanism for the evolving environment conventions. Accordingly, the GEF was endorsed at the Rio de Janeiro meeting as the appropriate "interim financial mechanism" to implement the conventions, but only under certain conditions. For the GEF to be involved, Article 11 of the Framework Convention on Climate Change stated that any financial mechanism must be operated "under the guidance of and be accountable to the Conference of the Parties...which decide on its policies, program priorities, and eligible criteria." For the GEF to act as the interim financial mechanism for the convention, Article 21 stated that the GEF should be "appropriately restructured and its membership made universal to fulfill the requirements of Article 11."[15]

Using similar language, the Convention on Biological Diversity likewise confirmed that it was the parties themselves, not the GEF, that were to "determine the policy, strategy, program priorities, and eligibility criteria." Article 21 specifically called upon the parties to the convention to establish during their first meeting "detailed criteria and guidelines for eligibility for access to and utilization of the financial resources including monitoring and evaluation on a regular basis." Again in reference to GEF governance, the biological convention stressed that a condition for GEF involvement was that it be "fully restructured" and operate "within a democratic and transparent system of governance."[16]

While considering "means of implementation" of necessary activities in developing countries (estimated by the Conference Secretariat to need US$600 billion, of which US$125 billion is grant or concessional funds), Chapter 33 of Agenda 21 urged the provision of financial resources "in a way which maximizes the availability of new and additional resources and which uses all available funding sources and mechanisms." It mentioned the GEF in a long list of potential fund sources for this purpose (including the IDA, Regional Development Banks, the United Nations Specialized Agencies, bilateral assistance, debt relief programs, and private funding).[17]

It is significant that Agenda 21, while urging the restructuring of the GEF, did reinforce the major thrust already established for the GEF, "whose additional grant and concessional funding is designed to achieve global environmental benefits and whose funding should cover the agreed incremental costs of relevant activities under Agenda 21, in particular for developing countries."[18]

Expectations

When the idea of the Global Environment Facility was conceived some three years ago, it was generally felt among individuals and groups concerned about the global environment that such an entity was needed to cover areas that remained outside the purview of existing institutions. All along it was thought that the financial nucleus of over US$1 billion over three years was sufficiently appreciable to gain credibility for the new instrument. It is probably true that all concerned parties looked to the new entity as a medium for identifying path-breaking and exploration activities to guide future work to help protect the global environment through collaborative international efforts. That is why the programs and projects of the new institution had to be innovative, experimental, and replicable, besides aiming at leveraging the "modest" GEF resources by the mobilization of additional financial support from other sources. These expectations were stated repeatedly in all the initial declarations put forward in the name of the GEF by the World Bank, UNDP, and UNEP.

Donors' Expectations

From the donors' perspective, one can discern a genuine concern for the global commons, admittedly harmed by their own habits of wasteful consumption, avoidable military conflicts, and the pursuit of environmentally unsustainable growth. It appeared imperative that the developing countries should be co-opted to this effort. Everywhere these countries were falling into the same habits, adopting the same behavioral patterns, and their future growth would in the long run add to the pressures already imposed on the global environment. The participation of the developing countries would be induced, at least partly, through funds provided by the GEF.

The principal GEF donor countries, also the major providers of traditional development assistance through the multilateral agencies as well as bilaterally, entrusted the new facility largely to a Bretton Woods institution—that is, the World Bank—where they exercise a great deal of influence. By doing so, they limited the participation of other forces, popularly subsumed under the "United Nations system." The Facility was to be additional to regular development assistance, and to address concerns that were over and above what the donors were already doing, or claiming to be doing, for the benefit of the environment. These agencies, it should be recalled, had been asserting that their attention to the environment was constantly growing. Efforts through the GEF would be extra, as these would be particularly geared to *global* problems that could not be handled adequately through individual country-oriented programs.

The donors expected the implementing agencies to collaborate closely in this worthwhile initiative, each according to its "comparative advantage." Collaboration among the three agencies in the service of development was not new, but the GEF offered a concrete opportunity for cooperation in a concentrated and highly worthwhile field. In particular, the World Bank was expected to offer its expertise in investment projects, UNDP its skill in providing technical assistance and coordinating development activities in countries as well as regionally, and UNEP its specialist knowledge of environmental issues, based on its wide contacts with environmentalists of all specializations.

In their responses to the evaluation questionnaires, the donors had a number of very specific expectations of the GEF during the pilot phase. They hoped that the GEF would introduce new, innovative approaches as opposed to the most cost-effective and proven; serve as a catalyst for additional resources for global environmental issues; address institutional weaknesses; transfer environmentally benign technologies; and integrate projects into consistent national sector strategies. The GEF was expected to be open and transparent; promote participation and consultation with affected and interested parties; use independent scientific and technical know-how and experience; and define a creative role for the private sector. Surprisingly, none of the donors stressed the importance of achieving regional balance.

Expectations of Developing Countries

Replies to the evaluation questionnaires sent out to all participants have hardly been comprehensive, but those received from the developing countries have tended to be couched in reserved language. Their responses have, in broad terms, reflected those of the donors on innovation, local participation, support to policy formulation and institutional strengthening, and mobilization of resources for the developing countries. Their concerns were focused on the need for a clearer definition of global and national benefits, incremental costs, the need for greater transparency, and participation in the policy and program formulation of the GEF that would reflect their own environmental and development priorities.

On the whole, developing countries appear less concerned than developed countries about the global environment, defined as deteriorating by the GEF, because they view this deterioration as largely the result of the richer countries' exploitation of the global commons. The developing countries prefer to attend to more urgent priorities of their own, including poverty alleviation and sustainable environmental development. In this context, some developing countries have voiced concerns that the emphasis on global benefits and GEF activities is beginning to divert scarce local, institutional, and financial resources and expertise away from national environmental development issues. Contact by the evaluators with developing countries involved in GEF projects sometimes revealed a lack of awareness of the GEF altogether in circles that should have been better informed.

NGOs' Expectations

Much more informed, as well as articulated, were the expectations of the nongovernmental organizations, especially those in the developed countries. This constituency is hard to pin down, however, being heterogeneous in size, quality, and purpose. But the group as a whole has been in the forefront of raising awareness about the environment and has effectively put pressure on governments to respond to the increasing concern by the public that something be done about the state of the environment, both domestically and globally. Those NGOs particularly interested in biodiversity had high hopes that the GEF would provide leadership in this field, involve them more substantially in GEF activities, and reform what they perceived as destructive development policies associated with the regular project lending of the multilateral development banks. Some specifically expected (or perhaps hoped) that the GEF would be a kind of a "Trojan Horse" that would work from inside the World Bank and UNDP, further enhancing their "greening."

GEF Policies and the Evaluators' Assessments

Choice of Focal Areas and Allocations

Initial rationale. The rationale for the selection of the four focal areas that have been defined for the GEF pilot phase is rather obscure in origin and can be traced to the World Bank and to a few developed countries interested in "internationalizing" certain environmental problems. They, of course, represent areas that have long been the subject of environmentalists' concern. Global warming, ozone depletion, and international waters pollution are considered to be global concerns because actions within national borders do clearly affect the global commons. Biodiversity, however, has been especially controversial. Developing countries have resisted the notion that resources lying inside their boundaries should be viewed as "global." On the other hand, humanity as a whole has an interest in protecting species that are threatened wherever they are. By financing the "incremental cost" of investments that would bring about global benefits over and above national benefits, the GEF would be promoting the global interest.

These four focal areas are by no means the sum total of the global environmental agenda, and already there have been suggestions that new areas be added to the GEF purview. Land degradation aspects, primarily deforestation and desertification, can be handled under the four focal areas, and GEF has expressed its readiness to be involved with the Desertification Convention when it comes into force, possibly in late 1995 or 1996, but only with respect to activities concerning land degradation as they relate to the four existing focal areas. Other issues bearing on the global environment have been suggested as worthy of GEF attention, including population abatement, poverty alleviation, the terms of trade between natural resource products and manufactures, fresh water resource management, and many others. This would integrate the global environment into economic and social development along the lines suggested earlier in the Brundtland Report and reaffirmed last year at UNCED. However, while these issues have not been considered to be within the policy framework of the GEF, they cannot be ignored as important aspects in the design and implementation of GEF activities.

The Montreal Protocol, addressing the problem of ozone layer depletion, had set up prior to the establishment of GEF an Interim Multilateral Fund to finance the incremental cost associated with the phasing out of CFCs and halons and replacing them with less harmful substances. The ozone layer represents a clear example of a global common whose depletion was occasioned largely by the industrialized countries, each acting separately, and that was being further threatened by the projected expansion of the use in the developing countries of the Montreal Protocol "controlled substances." While the GEF included ozone layer protection in its focal areas, in practice its contribution to this objective has been marginal. The fourth area of GEF interest, protection of international waters, bears also on the global commons though its regional implications are often more pronounced. International waters were apparently included in the four focal areas at the behest of UNEP and UNDP.

It was under the influence of the participants, but also without any challenge or even debate by STAP, that a rough division of funds to be allocated to the four focal areas was set. All along it was recognized that a large number of cost-effective activities would straddle more than one focal area, and STAP indicated that such activities should be accorded high priority. Approximately 40–50 percent of the GET funds were to be allocated to activities related to reducing greenhouse gases, 30–40 percent to biodiversity, and 10–20 percent to protecting international waters, with a modest amount to be devoted to reducing ozone depleting substances.

The evaluators' conclusion: The overarching rationale for the GEF in its distinctive role of protecting the global environment has not been adequately defined and articulated. The basis for the choice of focal areas and guidelines for allocating GEF resources among them are not apparent.

Allocations within the focal areas. Some controversy was to ensue, however, when STAP proceeded to indicate the allocation of GET funds within each of these categories. As stated in the December 1991 Report by the Chairman, STAP advised that within biodiversity 45 percent of the funds should be devoted to tropical forests and the Mediterranean; 20 percent to marine and coastal systems; 10 percent to wetlands; 10 percent to arid and semiarid areas; and the remainder, 15 percent, to lakes, rivers, and alpine areas. Within the global warming category, STAP recommended that 35 percent be allocated to improvement of end-use efficiency; 30 percent to the reduction of emissions intensity of energy production (through photovoltaics, microhydro, and biomass); 15 percent to non-carbon dioxide emission reduction (through waste treatment, reduced flaring of associated gases, and emissions associated with coal mining); 10 percent for fuel substitution and alternative transportation; and 10 percent for improving power transmission and distribution efficiency and helping sequester greenhouse gases through reforestation and discouraging deforestation. For international waters, the 10–20 percent of GET resources indicated for that purpose was to be split as follows: 30 percent for the reduction of pollution in river systems and coastal areas; 25 percent for the integration of water and land-use management in water scarce areas; 25 percent for marine productivity and marine ecosystems; and 20 percent for environmental assessment and management.[19]

It is not at all clear what scientific or technical factors led to the determination of such detailed allocation of resources albeit as indicative guidelines. Guidelines or not, the same project may in fact address multiple purposes that are difficult to disentangle in quantitative terms. Even the implementing agencies themselves began to express doubt about the wisdom of the indicative allocations. For instance, the emphasis placed by STAP on energy efficiency, while warranted, did not justify the recommended high resource allocation since such efforts (a) are not costly in terms of investments, and often require pricing policies with no investments; and (b) benefit the domestic economy so that prima facie they may not qualify for GEF funding. Fresh water pollution and scarcity operations qualify for GEF support if they contribute to biodiversity conservation or if they have transboundary implications.

The evaluators' conclusion: The global strategies for the focal areas that constitute the primary responsibility of the GEF have not been well developed. Thus, the basis for the allocations of GEF resources set forth by STAP was arbitrary and not sufficiently *spelled out to guide the implementing agencies. Although it is assumed that the biodiversity and global warming conventions will help fill this gap, the GEF's experience during the pilot phase should be drawn on to help shape these strategies.*

Choice of Regions and Countries
An equitable geographic distribution of GET funds was thought to be rather important, and the emphasis placed on this has come largely from the participants, with STAP apparently registering no major opposition. Country and regional distribution is important on two counts. The first is simply political in that for mobilizing support for the GEF among developing countries no region should be seen to be neglected in the distribution of the GEF resources. The other count touches on the very nature of GEF itself. The attempt to distribute GEF resources evenly among the competing regions has defined the Facility as an instrument, not for the global environment, where priority would be attached to globally important activities, but as another means to address projects that would merely bring about some benefit to the environment. The endeavor by STAP to introduce project criteria and indicative subthematic allocations may be seen as a rectification of an essentially faulty and piecemeal approach, in an attempt to bring it closer to a global orientation. In retrospect, the facility intended for the global environment seems to have evolved into a global facility for the environment. An apparent equitable distribution among regions may, however, conceal inequity because the regions vary greatly in terms of population, level of economic activity, and contribution to greenhouse gas emissions and other factors destructive to the global environment. The emphasis on an equitable geographic allocation of GEF funds and activities, as previously argued, does not seem compatible with an attempt to focus GEF resources on obtaining maximum impact on the *global* environment. The evaluators' conclusion: The desire to build up consensus and enlist support for the GEF among many developing countries was behind this attempt at balancing the world regions. However important that objective was, it seems inconsistent with the very purpose of a facility that should have targeted the most important global environmental problems of developing countries.

Strategy and Project Criteria
Global benefits and incremental cost. The intent to make the GEF serve global environmental objectives is illustrated by the distinction made early on between the types of project that would present themselves for GEF support and by the attempt, in defining the field of GEF activities, to distinguish between domestic and global benefits to determine project eligibility. This, from the start, had been an attempt to identify a distinctive role for the GEF, and to confine its financial support to activities that would yield *global* benefits to the exclusion of projects that would yield only national benefits. This distinction between national and global benefits, which is by no means always easy to make in practice, gave rise to the concept of "incremental cost," which allegedly has been guiding the GEF financial support for the activities in its portfolio. Although the concept relies on a distinction between two sets of costs (a baseline cost and an alternative cost), it cannot avoid reference to benefits for two reasons. First, the creation of global benefits is a sine qua non justifying the use of GEF resources to cover the incremental costs. GEF cannot be expected to fund any incremental cost without ascertaining that the global benefit is substantial enough to justify the funding. Second, incremental costs have to be viewed in gross and net terms. GEF would finance only the *net* incremental cost, that is, the gross incremental cost minus the national benefit that the project produces for the country.

The superficially attractive concept of incremental cost, which might apply, although with some difficulty, to phasing out ozone depleting substances on account of the existence of a fairly determinate "baseline" scenario (a scenario without the intended project), tends to break down when the baseline can have many alternatives. The existence of these alternatives varies considerably among the four focal areas of the GEF, approaching, though never attaining, determinateness in the case of project designs that reduce carbon emissions and other greenhouse gases. In the case of biodiversity projects in the GEF portfolio, all costs have been deemed to be incremental on the argument that without the GEF intervention the projects would not be undertaken. In theory, of course, incremental costs could be lower than the total costs if account is taken of national benefits (such as tourism revenues) to be generated by the project. The attempt to separate domestic from global net benefits in the case of international waters has also been problematic. When the concept of incremental cost was applied to institution building or capacity development in developing countries, *all* costs were deemed to be eligible for support by the GEF—incremental cost here was obviously meaningless. The GEF management has gone along with what seems to be highly subjective interpretations of incremental costs, and the belief that by spending a few more million dollars of GEF resources (under the PRINCE project) to further research the concept, the incremental cost "principle" could be made to provide a practical guide for later implementation.

The concept of incremental cost is married to a distinction that has to be made between domestic and global benefits. If an energy project makes use of associated gas that was previously flared, and polluted the national atmosphere as well as added to global warming, does not the reduction of carbon emission amount to both a domestic and a global benefit? The reduction of carbon emissions is in fact both a domestic and a global benefit. But is it possible to separate the two?

Does cleaning up international waters generate benefits that can again be called either domestic or global, and will only the global part be supported by GEF funding? The same may be asked of biodiversity, the most difficult of all focal areas from this perspective. In theory, any conservation is better than none, but how can one distinguish between its global and domestic benefits? GEF management recognizes that the poorer countries where biodiversity projects are attempted would not possess the resources necessary to effect conservation. This has generally given the false impression that *all* the biodiversity benefit from conservation accrues globally. When it comes to institution building, research, and technical assistance, the GEF management (as well as STAP and the participants) has been quite liberal in interpreting incremental costs, and financing the entire cost, not just the extra cost on the argument that such efforts would not be undertaken at all without GEF financial support.

The emphasis on financing "incremental cost" is a serious weakness in the policy framework of the GEF. This was not of the making of the GEF management, but was imposed on it from the start, having been built into the GEF procedures and definition of work at the Facility's conception. It was, however, uncritically accepted by GEF management as a working "principle"—indeed a "First Principle." It was also repeatedly endorsed by STAP[20] and other GEF decisionmakers throughout the pilot years. The concept appealed especially to the participants: the donors imagined that the funds would go a long way if they financed only a part and not the full cost of the GEF-supported activity. The donors also presumed that domestic environmental concerns were being addressed adequately and wanted to add the missing global dimension via an incremental approach. "Incremental cost" was acceptable to the recipients who claimed that what was being financed was additional to what they would have done if they followed their own domestic interests, and who later were to insist on incorporating incremental cost in the new environmental conventions. This so-called GEF principle appears to have reflected also the initial thinking carried out in the implementing agencies, especially the World Bank. Putting it across as a fundamental principle conveyed the impression that project appraisal techniques could identify global benefits clearly distinguished from domestic benefits and could indicate the size of GEF funding as the difference between the actual costs of a GEF project and a uniquely defined alternative.

Incremental cost has been closely associated with the taxonomy of GEF projects, and this has been another source of difficulty during the implementation of the GEF mandate. This taxonomy purported to distinguish ineligible projects (whose net domestic benefits are sufficiently ample to make them desirable for the country concerned without GEF involvement) from eligible projects whose global benefits would justify GEF funding either in their present design or if modified to yield additional global benefits. The elaboration of the project tripartite classification in all the initial and subsequent definitions of the GEF—regularly reiterated by the GEF Administration—reinforced the project-by-project approach and diverted attention from pursuing global environmental strategies and building up national capacities in developing countries to benefit their own environments as well as the global environment.[21]

The evaluators' conclusion: The concept of incremental cost was intended to establish the basis for GEF funding and, thus, set the GEF apart from regular development assistance. The evaluators find that, while attractive in concept, the incremental cost principle: (a) has not been developed as a useful tool in assessing project eligibility or sizing GEF funding, which in many cases appears arbitrary. Guidelines for its application in decisions on GEF project funding have not been developed and few project documents provide incremental cost calculations; (b) encourages a narrow project approach, when joined with the GEF's project taxonomy, that fails to encompass the broader considerations of national policy, program strategies, and institutional capacities that are fundamental to achieving global benefits; and (c) diverts attention from the analysis and significance of the global benefits, and encourages too sharp a distinction between global and national benefits; and (d) weakens a sense of mutual responsibility for the sustainability of the global benefits.

Innovation. It is quite clear that the GEF was not set up to finance just any project that would benefit the global environment in its four designated areas. This can be discerned from all the pronouncements made in its behalf since its inception. The available finance, though significant, could not possibly make an impact on the global environment through projects that would bring *some* global environmental benefit. The pilot "phase," or more accurately the initial three-year GEF, which was described repeatedly as a pilot experiment, not an experimental *phase* to be followed by more "rigorous" phases, was meant to demonstrate, during its three-year span, innovative ways to benefit the global environment. In this context, the selection of projects and programs to be supported by GEF funds should be seen to serve a special objective.

The objective was that the GEF would identify the types of activity that should be tested and replicated for the benefit of the global environment, both within the same or a similar framework, or totally outside it. Not only would the GEF identify those crucial activities, but it was expected also to demonstrate by its selection of the supported activities, and also through a process of periodic stocktaking of its experience, the most effective approaches based on a proper system of monitoring and evaluation to indicate the models that should be replicated. Propagating the "successful" models was expected to be an essential task to be performed by the GEF.

STAP itself addressed innovation in its "Criteria for Eligibility and Priorities,"[22] where under generic criteria the statement was made that innovation would be encouraged; "it makes sense that GEF funds should be used to support innovative projects and do something new." STAP offered its most explicit guidance on innovation when it addressed greenhouse gas emission reduction, arguing that the "menu of technologies" needed to be expanded in pursuit of least-cost solutions:

> It is important that promising but not-yet-proven technologies be pushed in the right direction, for example, initiatives should be taken to move the technology into general use in cases where the technology, the economics, or the market is not yet "right."[23]

This expansion of options through innovative projects was so important in the view of STAP members that STAP "further suggested that GEF's role be focussed and its performance evaluated on its ability to move such promising technologies into widespread use...."[24] STAP, however, did not attempt in the same document to extend its concern for innovation to other focal areas.[25]

The evaluators' conclusion: Innovation was to have been a major factor in the selection of GEF activities. In the GEF context, innovation has been liberally interpreted to include any technology that had not been used in any developing country or in the country in which the technology was being introduced. This guide was accompanied with the claim often made that the arrangement could be replicated in the same country or in similar countries after the model had been tested. Innovation in addressing policy constraints has also been proposed. Attention to innovation is highly appropriate for the GEF, provided the innovations are well thought-out and the experience is captured and extended to other interested countries. However, more work is required on defining what constitutes real innovation (for example, cutting-edge technologies) in the GEF focal areas. Chapter 5 reviews the question of innovation for each of the focal areas.

STAP Generic Project Criteria

Responding to a request by the implementing agencies, STAP presented an initial draft dated November 1991, "Criteria for Eligibility and Priorities for Selection of Global Environment Facility Projects." These included generic criteria for all focal areas as well as specific criteria for each focal area: reduction of greenhouse gases; protection of biodiversity; protection of international waters; and reduction of ozone layer depletion. STAP stated that "a project from any category of interventions can become eligible for consideration for GEF selection if and only if it satisfies the following generic criteria. Satisfaction of the above generic criteria is a *necessary* condition for a project to become eligible for GEF selection...."[26] These criteria specified that a GEF project should:

- Have the potential to benefit the global environment in one or more of the focal areas' impacts;
- Contribute to human welfare and sustainable development;
- *Be replicable internationally (dropped);*
- Contain an incentive design to secure sustainability *and include plans for post-GEF project continuation of the activity within the national context (added);*
- Be unlikely to be included in the country's development portfolio without GEF funding;
- Develop human and institutional capability;
- Have a firm scientific, technical, *and economic (added)* basis *incorporating local knowledge as appropriate (added);*
- Have a good chance of succeeding through a strong interaction of technological and scientific knowledge and social and economic issues;

- Be placed in the context of comprehensive existing or evolving national and regional environmental programs, which should provide favorable political, economic, legal, and administrative conditions for the effective implementation of the GEF investment;
- Include plans for evaluation and dissemination of results and knowledge;
- Be participatory in nature *in both the preparation and implementation phases (added)*, involving close collaboration with local communities;
- Be capable of being developed within the three years of the GEF span;
- Satisfy an environmental impact assessment *that examines all potential adverse consequences (added)*.

The Pilot Phase and Beyond stresses, in addition, that the projects "have some innovative characteristic." This condition was dropped in the May 1993 guidelines. This change was forecast in *The Pilot Phase and Beyond*: "Obviously, as the GEF or some GEF-like mechanism moves into its operational phase, the premium on innovativeness will diminish and projects need not necessarily be novel. Rather, their cost-effectiveness and beneficial impact on the global environment is far more important."[27]

The evaluators' conclusion: Apart from listing the criteria, as above, neither the GEF nor STAP has elaborated adequately on these criteria in ways that would help the operating staff understand their relative importance, how they should be applied in the focal areas, and applied in project design and implementation. On the surface, application of the criteria should be the standard practice of the implementing agencies. However, their interpretation and application would have been aided by more elaboration and illustration. These criteria have been applied in project selection and review processes only mechanically, in order to satisfy the "necessary conditions" for eligibility. Further, the evaluators question the position that innovativeness should be dropped from the criteria. This feature should be one of the distinguishing features of the GEF with further definition, examples, and dissemination.

Additionality

The activities of the GEF were furthermore intended to be additional to what the existing institutions were doing by way of development assistance. The donors were already claiming to be implementing an ever-growing agenda addressing environmental concerns, including energy efficiency, protection of biodiversity, and reduction of pollution—all inescapably with some beneficial global impacts. The GEF was therefore expected to be doing something novel and additional, specifically establishing a clear distinction between its activities and the regular development programs being implemented by the same agencies. The Enabling Memorandum, noting the areas of agreement of the developed and developing countries, stated that "funding for the GEF should to the greatest extent possible be additional to existing aid flows, and on grant or highly concessional terms." The emphasis on additionality was particularly important to the developing countries, which feared that the donors' contributions to the GEF in support of global benefits would reduce their funds available for development assistance.

The evaluators' conclusion: Additionality as a guiding criterion for the GEF is understandable and appropriate. However, it is an exceedingly difficult principle to evaluate in practical operations. At the country level, only the donor can judge whether its GEF contribution is part of, or an addition to, planned assistance for the country, especially in the case of cofinancing. How does one tell whether a donor's contribution to the GEF core fund or to cofinancing is additional to its overall budget for international assistance? The evaluators have not attempted to explore this question with the donors who have contributed to the GEF.

National and Regional Policy Frameworks

The Enabling Memorandum stated that "GEF projects are expected to be concentrated in countries where existing or proposed institutional and policy frameworks are favorable to the achievement of project objectives."[28]

Regarding the selection of projects, it said:

> To be selected for GEF funding, project proposals should...be consistent with the country-specific environment strategy or program. Countries will need to have—or be willing to develop—a policy, regulatory, and institutional framework relating to CFCs, greenhouse gases, biodiversity, marine pollution, or fresh water management, within which the particular GEF operation would be carried out.[29]

The existence of a favorable country institutional and policy framework was expected in the majority of cases where projects had to be consistent with country strategies. However, if countries lacked such suitable frameworks, they might be *"willing to develop them."* The Enabling Memorandum went on to say that such a framework "could build on environmental issues, papers, or action plans already prepared or underway with the cooperation of UNDP, UNEP, and the World Bank." A distinction was made between larger countries (where preparation of comprehensive country programs was likely to be required, "but action in specific areas need not await the preparation of such programs") and "smaller countries [where] the decision on the value of a country program can be made on a case-by-case basis."

Besides efforts assisted by the World Bank, UNDP, and UNEP to develop country environmental strategies, many other entities have contributed independently to the same objective, including developing-country governments (especially in preparation for UNCED), bilateral aid agencies, and NGOs.[30]

Not all GEF projects were placed in a favorable national environmental framework (Nigeria's global warming and Iran's Tehran Pollution projects spring to mind). On their part, developing countries resented conditionality associated with GEF interventions, and the ambiguity contained in the Enabling Memorandum on this issue probably helped to dilute the impact of the global environment of GEF projects.[31]

In addition, there are a number of regional policy frameworks embodied in international regional programs and agreements (conventions). Most of those relevant to the projects in the GEF portfolio are in the field of international waters. Only a few of the GEF projects were actually developed and placed in the context of the priorities defined by the policy frameworks of the existing regional programs and agreements. Thus the advantage offered by the existing infrastructures and cooperative arrangements of these programs remained mainly untapped.

The evaluators' conclusion: The desire to move rapidly to develop a substantial portfolio of GEF projects minimized attention to national and regional policy frameworks as well as priorities defined by these frameworks. During the next phase of the GEF, this has to be rectified. Countries without national environmental policies should be assisted to formulate them, and efforts should be made by the GEF to integrate global environmental concerns into all national and regional environmental and development policies.

The GEF Pilot Phase: A One-shot Experiment or a Phase?

Was the pilot phase conceived as a first step toward a more permanent structure? Or was it merely a one-shot experiment to provide guidance for a later model that might be quite different? This is not an idle question, for in response to evaluation questioning, GEF management seems to imply that the pilot phase could escape the rigor, discipline, and accountability expected from its administration simply because it was a preliminary, experimental, trial-and-error *phase* to be followed by more rigorously managed phases.

Certainly when the facility was set up, there were no statements by its sponsors to the effect that it was intended as a phase to be followed by other phases. The whole of the GEF was to be a "three-year experiment."[32] The background paper submitted by World Bank management to its Board of Directors as a basis for the Board's decision on March 14, 1991, to establish the GEF contained the following statement:

> Participants view the GEF as a pilot program for obtaining practical experience in several key global environmental areas. In line with its experimental character, the GEF should provide modest incremental resources to finance programs and projects affecting the global environment, and it should do so in a manner designed to explore how best to strengthen local analytical, regulatory, and monitoring capacity and to test means for sharing existing and emerging technologies.[33]

World Bank Resolution 91–5 also contains a relevant paragraph (number 12) on the "Termination of the GET" (the very heart of the GEF), which will occur "when the World Bank so decides after all grants...and cofinancing...shall have been committed and transfers to UNEP and UNDP...shall have been made, in which event the Trustees will take all necessary action for winding up its activities in an expeditious manner...."

The question may be asked whether the GEF has fulfilled its mandate as set out in the Enabling Memorandum, the Tripartite Agreement, and *The Pilot Phase and Beyond*. It is clear that it followed the guidance of the participants. But should it have been more assertive in advising them about the consequences for the pilot phase of:

(a) rushing the identification and processing of fundable projects in anticipation of UNCED;

(b) distributing GEF funds geographically in an apparently even manner;

(c) attempting to gain important lessons within a three-year time frame; and

(d) also laying the foundations for the future restructuring of the GEF, during the pilot phase, thus diverting its energies away from its immediate responsibilities?

In retrospect, in addition to the questions just raised, the emphasis placed on processing individual projects as a substantiation of the GEF's perceived mandate, the taxonomy of projects that was put forward at GEF inception, and the stress on the principle of incremental cost as a guide to funding, all seem to have led to "acceptable" but not necessarily path-breaking operations, as had been envisaged for the GEF by its founders.

Even the attention given to "monitoring and evaluation," stressed in GEF planning documents by the participants, seems to have been diverted to a focus on individual projects with little attempt to look at the GEF portfolio as a whole and extract lessons from the program development experience as it evolved to guide the participants in their deliberations.

Did the GEF management have a free hand to run the Facility according to the clearly defined mandate of the GEF, or was it obliged to respond (as it seems to have done) to frequent interventions from the stakeholders? Did it have the ability and resolve to forge a strategy and develop procedures independently, albeit while accepting broad guidance from the participants? Did the way STAP was set up and operated, without a clear agenda and with excessive emphasis on project processing, dilute the effectiveness of STAP? Was the emphasis on avoiding the creation of a new bureaucracy counterproductive? In other words, was it a mistake to imagine that this new and ambitious initiative could be set up and run effectively without a "new bureaucracy"? And was the cumbersome structure that evolved for decisionmaking (with layers of stakeholder representatives and part-time "specialists," often with excellent, but not always relevant credentials, and with little time available for reflection) inevitable? Should the management of the GEF have been burdened, as it has been, with frequent meetings in various parts of the world, which left it with little time for strategic planning?

In the final analysis, the following question is perhaps worth posing. Has the GEF lived up to the model put forward in the Enabling Memorandum? Namely, has it "provided modest incremental resources to finance programs and projects affecting the global environment...*in a manner designed to explore how best to strengthen local analytical, regulatory, and monitoring capacity, and to test means for sharing existing and emerging technologies*"?[34]

An interesting partial response to this question may be found in the following statement by Ernest Stern, then a Senior Vice President of the World Bank, at the end of his Board presentation of the GEF draft resolution on March 14, 1991,[35] which drew attention to anticipated difficulties:

> I hope that Members of the Board have no illusions about how difficult a task we have taken on. We are rapidly building up our capacity, but by and large, these are new areas for the Bank and expertise is limited. The methodologies that we routinely apply to projects are only partially applicable to the GEF. We will learn a great deal in the coming months about what works in this field in terms of programs and institutions. Some of the most important lessons will be learned from the mistakes we make. The World Bank and our partner agencies will be under extraordinary scrutiny as we undertake these programs, and the inevitable mistakes will be put forward as evidence that we cannot or should not implement such a program. We must keep in mind that this is intended to be a learning experience and that today no one else has any large-scale operational experience of how these objectives are best achieved. We are aware of the seriousness of the responsibilities which governments have charged us with in the use of these funds, and we also are aware that our ability to function effectively in this area is fundamental to the future role of the World Bank in supporting sustainable development.

Endnotes

1. World Resources Institute (WRI), *Natural Endowments: Financing Resource Conservation for Development*, (Commissioned by the United Nations Development Programme), Washington, D.C., September 1989, p. ix.

2. Ibid.

3. These developments were assisted by *Natural Endowments: Financing Resource Conservation for Development*, which advocated the creation of "a Global Environment Trust Fund" to address the problem of greenhouse gases and help to maintain ecosystems in developing countries, along the lines of the Montreal Protocol on Substances that Deplete the Ozone Layer. This study argued the case for establishing an "International Environmental Facility" (IEF) to be especially geared to financing conservation on the ground that conservation required special understanding of the ecological process, gaining community support, a long-term outlook, flexible project design, and willingness to work with NGOs. To secure increased conservation financing, the WRI study proposed the creation of either one or three "International Environment Facilities"—one to be global or three to be regional (Africa, Asia, and Latin America). "In either case, the facility would be a joint venture of existing agencies and not a new entity."

The model of the one facility, the IEF, as outlined in the WRI study, has certain similarities to what later became the GEF:

> Essentially such a facility would be a jointly financed interagency facility of the Organization of Economic Cooperation

for Development's (OECD) bilateral development agencies and the multilateral development banks that would collaborate with relevant United Nations agencies, developing country governments, and NGOs.

The mandate of the IEF was in some respects also similar, though it lacked the focus on the global commons that became the hallmark of the GEF. This included (a) identifying (in collaboration with governments, bilateral aid agencies, and multilateral development banks) "the unfunded conservation needs of the developing countries"; (b) helping to develop conservation projects by arranging funding for pre-investment studies; and (c) arranging cofinancing for project packages from existing financing sources. A possible source suggested by the WRI study to finance conservation was a carbon energy tax.

The WRI study acknowledged yet earlier ideas in support of an international environmental facility, put forward independently by the staffs of the World Bank and the Inter-American Development Bank. World Bank staff had been interested in setting up a "special window" to finance the preparation of environmental projects. In the UNDP, the World Bank, and elsewhere, interest ran high in 1988 and 1989 in a facility, not just for project preparation, but for environmental conservation in general. It is likely that the setting up of the Montreal Protocol multilateral fund for the protection of the ozone layer also inspired these ideas.

4. Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom, and the United States. New Zealand joined the group at the second meeting. See The World Bank President's Memorandum to the Executive Directors, Global Environment Facility—Transmittal of Documents in "Establishment of the Global Environment Facility," Attachment A, February 22, 1991.

5. Brazil, China, Côte d'Ivoire, India, Mexico, Morocco, and Zimbabwe.

6. See *Report by the Chairman to the December 1991 Participants' Meeting*, Part One: Main Report, UNDP/UNEP/World Bank, pp. 3–4.

7. See *The World Bank and the Environment*, Fiscal 1992, World Bank, Washington, D.C., 1992.

8. Algeria, Austria, Belgium, Brazil, Canada, China, Cote d'Ivoire, Denmark, Egypt, Finland, France, Germany, India, Indonesia, Italy, Japan, Mexico, Morocco, the Netherlands, Nigeria, Norway, Pakistan, Portugal, Spain, Sweden, Switzerland, Turkey, and the United Kingdom.

9. See a summary of some of these historical developments and financial arrangements in the World Bank progress report, *The World Bank and the Environment*, Fiscal 1991, Washington D.C., 1991. The original SDR 1 billion fund varies in value when translated into individual currencies as exchange rates change from time to time and is augmented by small accruals of interest. The initial plan to get the ozone multilateral fund (US$200 million) under the umbrella of the GEF was later modified owing to the fact that this could not be legally reconciled with the Montreal Protocol governance arrangements. Thus the limited involvement by the GEF in ozone conservation in Eastern Europe comes entirely from its own resources. The latest estimates of GEF finances are listed in the GEF *Report by the Chairman to the May 1993 Participants' Meeting*, Part One, p. 17.

10. When endorsing UNEP's involvement in the GEF, UNEP's Governing Council expressed concern about the use of the per capita criterion (Decision 16/47, May 1991).

11. UNEP was expected to play a key role in helping developing countries to define their needs to deal with global environmental issues supported by the GEF (Decision 16/47 of UNEP's Governing Council).

12. "Establishment of the Global Environment Facility," para. 4, p. 5.

13. Note that there exist at any time very large numbers of projects that are worthy of financing, but remain unfunded.

14. Cost-effectiveness in the sense of maximizing global benefits (such as the reduction of carbon emissions) per unit of GEF subsidy.

15. As quoted in David Reed, *The Global Environment Facility: Sharing Responsibility for the Biosphere*, World Wide Fund for Nature, International Institutions Policy Program, Washington, D.C., Volume II, p. 21, 1993.

16. UNEP, "Convention on Biological Diversity," as quoted in David Reed, p. 21.

17. According to the estimate of UNCED Secretariat, during the period 1993–2000, about US$40 billion would be required globally per year to deal with the environmental problems in the four GEF focal areas (Agenda 21). When compared with the GEF US$1 billion, this amount is a substantial gap, although estimates would be required of other funding, unrelated to the GEF, that may be expended for the focal areas during the period.

18. Agenda 21, 33.16(a)(iii).

19. See GEF, *Report by the Chairman to the December 1991 Participants' Meeting*, Part One, pp. 7–8.

20. It has been pointed out, however, that STAP was quite uneasy about this principle and discussed it on several occasions on its own initiative and on the explicit request from the participants. UNEP also found the concept troublesome and organized a meeting on "Incremental Costs and Biodiversity Conservation" in Stockholm in September 1993. "Many participants did not believe that the incremental cost method for identifying and selecting environmental projects for funding through GEF is operational in most situations." "Summary of the Discussions on Incremental Costs and Biodiversity Conservation," Report to the Executive Director of UNEP, October 26, 1993, p. 2.

21. The incremental cost concept is essentially a project concept, but GEF staff have pointed out that it could be used (although it has not been used) in broader contexts such as comparing the costs of alternative sectoral development scenarios.

22. STAP, "Criteria for Eligibility and Priorities for Selection of Global Environment Facility Projects," Initial Implementation Draft, November 1991, p. 4.

23. Ibid.

24. Ibid.

25. "STAP has stressed the role of innovation in assessing priorities for funding. The agencies agree in principle but argue that care must be taken in evaluating innovative features of projects. The agencies have encompassed a broad interpretation of innovation to include: (a) demonstration, on a commercial scale, of proven technologies that may offer global environmental benefits; (b) the introduction of new approaches of an institutional, policy or regulatory nature; (c) the application of familiar policies and/or technologies in a manner that increases their effectiveness; (d) the introduction of well-tested approaches and/or technologies that may be new to the developing country concerned or which may be tested in various country social and economic settings; and (e) studies, technical assistance and the provision of advice which could ultimately underpin new and innovative reforms or policy measures in a country, as well as strengthen the institutional capacity to manage policy reforms." *Report by the Chairman to the December 1991 Participants' Meeting*, p. 9.

26. These criteria were first adopted in the GEF *The Pilot Phase and Beyond* (pp. 31–32) and later revised in the May 1993 STAP report "Analytical Frameworks for Global Warming, Biodiversity, and International Waters," pp. 7–8.

27. *The Pilot Phase and Beyond*, p. 32.

28. "Establishment of the Global Environment Facility," p. 7.

29. Ibid, p. 6.

30. See *1993 Directory of Country Environmental Studies*, World Resources Institute, International Institute for Environment and Development, and International Union for the Conservation of Nature/The World Conservation Union (IUCN), Washington D.C., November 1992, which lists studies of variable depth and coverage for "more than 130 countries." These include country environmental strategies by Canadian International Development Agency; Denmark's Profiles by Danish International Development Agency, the Netherlands' Profiles of the Ministry of Foreign Affairs; Synopses by The United Kingdom's Overseas Development Association, the European Economic Community and Australia; United States Department of Agriculture's Country Environmental Profiles and the Tropical Forest and Biological Assessments; the National Plans of the Permanent Interstate Committee for Drought Control in the Sahel; IUCN; Food and Agriculture Organizations's (FAO) Tropical Forestry Action Plans; and many others.

31. However, broader sectoral and macro conditionalities are incorporated within associated World Bank loans and credits.

32. See *Report by the Chairman to the December 1991 Participants' Meeting*, December 1991, p. 1.

33. See, "Establishment of the Global Environment Facility," p. 4.

34. Ibid, p. 4; emphasis added.

35. The World Bank, SecM91-317.

5. The Strategies and Projects of the GEF Focal Areas

Summary

The selection process that generated the GEF portfolio responded to a set of goals reflecting both a multiplicity of inputs and practical experience gained over time by the implementing agencies during the pilot phase.[1] A variety of actors and motivations have influenced the development of the selection standards: the creators' vision of the GEF's unique character; stipulation of a three-year pilot phase; interests of donor, recipient, NGOs, and the implementing agency stakeholders; imperatives following from the GEF serving as the interim financial mechanism to the global conventions; and the STAP articulation of generic and focal area eligibility criteria, and its specification of resource allocations and priorities.[2]

Strategy
The effort to respond to this array of demands produced a set of projects without a clear, consistent strategy. There is inconsistent application of eligibility criteria, and hence, a great deal of indeterminacy in project selection standards. Emphasizing certain project selection criteria makes satisfying others difficult, if not impossible. No guidance on how to prioritize among competing goals has emerged from the participants or the GEF management. A further consequence of this inconsistency in the selection of projects has been that either approval or rejection could be justified for every project that was funded and many that were not; even similar projects sometimes have different fates. No project satisfies all of the goals or pleases all of the stakeholders, but practically every project contains some elements that may warrant its inclusion in the GEF portfolio.

Global Benefits and Incremental Costs
Global benefits have been described in most project documents, although their quantification is often lacking or imprecise. In some instances, the benefits reflect inflated expectations. For technical assistance projects, the global benefits are indirect and qualitative. In general, guidelines that provide a relatively uniform approach to assessing global benefits are needed.

Documents for biodiversity projects almost without exception do not refer to incremental costs and for some international waters protection projects do so only in general terms. The rationale for GEF funding was often based on the premise that the activities would not be undertaken unless the GEF covered the total costs. It has been argued in informal communications from the GEF administration that in such cases the total costs were also the "incremental costs" since the baseline was the absence of the project altogether. Documents for global warming projects (in the few cases where the estimation of incremental costs was attempted) indicate far greater uncertainty in the calcula-

tion of incremental costs than for any other standard.

National and Regional Environmental Strategies
Among the generic criteria STAP declared necessary for eligibility was that a project be placed in the context of existing or evolving national and regional environmental programs. It was widely assumed that individual projects could not succeed unless they were in harmony with national and regional priorities, including political, economic, legal, and administrative conditions favorable to project implementation. This integration of GEF projects with national and regional environmental strategies is evident in some documents but inadequate in others. Where there are references to environmental policy frameworks they rarely detail whether or how the project comports with national or regional priorities or will be supported through policy or regulation. Many developing countries are completing national environmental action plans and, pursuant to their obligations under conventions, are laying the groundwork for biodiversity and climate action plans.

Participation
Community-level participation in the identification and development of projects for the GEF is particularly important, mainly in the biodiversity focal area and in some of the global warming and international waters protection projects. Where appropriate most documents make some reference to participation of the NGOs and local communities; however, they often do not spell out who the participants are nor how they are to be involved. The indications of consultations are not sufficient to determine whether the local actors have been fully engaged in project development processes and in subsequent implementation.

Sustainability
The issue of sustainability in the GEF portfolio has been discussed in most project documents—more in those for the World Bank than in those for UNDP. However, the analysis of capacity building requirements for sustainability is only lightly treated, if at all, although it is implicit in those projects for which technical assistance has been planned. In a few instances, local trust funds are envisioned (see the final part of this chapter) to help ensure financial viability over the long term. Policy and sectoral circumstances that bear on project performance and outcomes were unevenly addressed and may require attention through broader program approaches.

Innovation
In addition to its generic eligibility criteria mentioned above, STAP recommended that projects in the pilot phase also have some innovative characteristics. In requiring GEF projects to develop new technologies and test new strategies for deploying them, STAP was responding to a fundamental element of GEF creation—that it support projects different from those of existing aid institutions. The innovation requirement took into account the need for GEF to carve its own niche, but it also reflected donor desire that the limited amount of the GEF money be used to stimulate new types of activities.

The standard of innovativeness that was used to screen projects in the pilot phase is subject to considerable interpretation. Most project documents profess to be innovative by virtue of a known technology never before located *in a developing country*, or never attempted in *that* country. But considering that GEF money is used only in developing countries, such an interpretation arguably would render the standard meaningless.

Other projects claim to be innovative because they represent the first (and hence novel) attempt to buy down risks or address policy constraints. But few project descriptions, especially at the time of review by STAP or submission to the participants, include sufficient information to suggest innovative methods for confronting policy constraints. Again, the project development process, which leaves details until appraisal, precludes having this type of information when it would be relevant to project selection.

There is no indication in the STAP analytical framework that innovation was to be limited to a technological nature. The portfolio supports the idea that STAP intended innovation be interpreted broadly. On the other hand, recurrent STAP comments regarding a lack of *technological* innovation suggest variable applications of the standard. The result of this inconsistency was easy sacrifice of the principle to competing goals (see Chapter 4).

Protecting Biodiversity

Although biodiversity,[3] with more than US$300 million in GET funding, represents the most important focal area of the GEF pilot phase portfolio, including half of all the projects and 43 percent of total funding, the GEF still lacks a good operational definition for biodiversity.[4] There is no convenient way of quantifying results in this focal area, in the same way that one can measure reduction in greenhouse gas concentration or volume of marine pollutants, in terms of reduced quantities emitted or increased quantities sequestered. Thus, success is hard to define and even harder to measure.

Of the 55 biodiversity projects in the first five tranches, 28 are the World Bank's, 23 are UNDP's, and four are UNEP's. Biodiversity projects represent three-fourths (6/8) of the total effective GEF projects in the World Bank portfolio and half (10/21) of the total signed projects under implementation in the UNDP portfolio, equaling about 55 percent (16/29) of the total number of GEF projects already under implementation (which still only represent a fourth of all GEF projects). The relatively advanced stage of the biodiversity projects is not surprising, since almost 80 percent of them were already included in the first three tranches—60 percent (33/55) in the first two.

Four of the projects are "global" in scope (UNEP Global Biodiversity Assessment, Biodiversity Data Management and Networking, and Biodiversity Country Studies, Phases I and II). Two of the projects implemented by UNEP have involved representatives of the panels established under the Interim Secretariat of the Convention on Biological Diversity, and one of the projects has mobilized the global scientific community (over 800 scientists) concerned with biodiversity in the preparation of an authoritative assessment of global biodiversity. Six projects of the biodiversity portfolio are regional in scope,[5] and the rest are single country projects. However, a number of the latter are "matched sets" of transborder activities involving separate but complementary activities in two or more neighboring countries, such as national parks in Mozambique and Zimbabwe; protected areas in the Carpathian region in the Czech and Slovak Republics and Ukraine; and forest biodiversity in Belarus and Poland. The transborder operations are concentrated in the World Bank's portfolio, since the World Bank has less freedom than UNDP to operate on a regional scale.

Strategy, Criteria, and Priorities

In May 1993, STAP presented a revised version of its "Analytical Framework on Protection of Biodiversity." Despite the great improvements represented by this latest draft, the GEF still lacks a convincing strategic framework to guide investments in biodiversity. The *Global Biodiversity Strategy* and the Convention on Biodiversity together provide useful elements for such a framework, but it has yet to be prepared.

Despite the best efforts of STAP, no effective criteria have yet been established for the selection of biodiversity projects. This enables virtually any reasonable proposal to qualify and makes it difficult to prioritize competing proposals. The projects appear to have been assessed primarily against themselves (for example, "Is this a good project?") rather than compared to alternative ways of spending the same amount of funds (for example, "Is this the best available project?"). Finally, the projects seldom appear to address the highest priorities as identified by the governments themselves. An alternative would be for the governments to prepare their own national biodiversity strategies and action plans, as called for by the Convention on Biodiversity, and request GEF funding for implementing the part of their strategy that meets GEF criteria by providing significant global benefits.

Geographic and biodiversity protection priorities. While there has been some attempt to allocate the pilot phase biodiversity funding roughly according to the percentages recommended by STAP for the various generic areas,[6] there has also been an even greater attempt to assure a wide geographic spread across countries and regions. Many of the project proposals that were dropped were either located in countries or were similar to projects that had already been included in earlier tranches. The pilot phase thus developed as a sort of geopolitical and technological "Noah's Ark" with an assortment of project types[7] within each focal area, largely limited to "one to a customer."

Biodiversity is not evenly distributed on a global basis, however, as implicitly recognized by the STAP-recommended allocation percentages mentioned above. Specifically, there are certain regions that concentrate large fractions of biodiversity, while some may also harbor important clusters of endemic species. Furthermore, levels of endangerment vary greatly on a worldwide scale. As a result of the pilot phase's compromises in its attempts to meet the objectives of testing new approaches, maximizing global benefits, and achieving a wide geographic spread, there is only a partial correlation between the location of the projects and the areas of highest global priority. For example, about 60 percent of the projects in the World Bank's biodiversity portfolio are located in areas considered by their originators as global priorities by virtue of high species-richness, high endemism, centers of crop diversity, or high threat of forest loss.

On the other hand, projects need to be explicit about how to convert the global concerns into reasonable levels of benefits at national and local levels, since long-term sustainability can only be assured if a significant benefit is being provided to the local community and to the nation at large. It will, therefore, become increasingly necessary for the GEF to better integrate local, national, and global conservation priorities as it moves from the pilot phase into a later phase, particularly if it is to become the major funding mechanism for the Convention on Biodiversity.

National Biodiversity Strategies and Action Plans

About half of the project documents reviewed in depth refer to some form of national environmental and conservation strategies, more often in the case of the World Bank than UNDP. However, a number of the projects include activities leading to the preparation of such strategies where they are absent. A deficiency of the biodiversity portfolio is the failure to reflect national priorities.[8] This may have been possibly because such priorities had not been identified or else the portfolio was not based on national biodiversity strategies and action plans. In general, the portfolio gives too much emphasis to site-specific action and insufficient attention to major policy issues (the "indirect causes" mentioned in the STAP Analytical Framework as being of high priority).

Project Profiles

The evaluators have conducted an in-depth review of a sample of 30 of the 55 biodiversity projects in the pilot phase portfolio. Most of the sample projects were included in the country visits completed by the evaluators in June and July 1993, and the rest have been the subjects of desk reviews of questionnaires, interviews, project documents, and files. This chapter also benefits from the November 1992 STAP-sponsored review of the (then) entire biodiversity portfolio by a group of 12 prominent international experts who examined the Project Briefs of the first three tranches (of all but the last 12 projects included in the fourth and fifth tranches). The evaluators generally agree with the findings of these experts, whose comments are summarized below:

- Projects take little consideration of the involvement of local people, their expertise, and their priorities.

- Many projects are of an ad hoc nature. Projects deriving from, or giving support to, previous conservation schemes are few. Earlier data on biodiversity, conservation priorities, and "hot spots" have not been consulted sufficiently.

- NGO involvement is inadequate, and there should be cooperation with NGOs in locating biodiversity hot spots and establishing a global biodiversity information network.

- In the future, more financial support for projects should be obtained from host governments. This issue is linked to concern about the long-term financing mechanisms for projects after the end of GEF support.

- The degree of innovation displayed by projects is questioned by many reviewers, who find few completely new approaches to biodiversity conservation.

- Judgments relating to the projects that most and least satisfied STAP priorities were highly variable. The criteria used by reviewers in making these evaluations seemed to vary considerably and are unfortunately not explained in the STAP report. However, there was some agreement supporting the projects in Jordan, Malawi, the Seychelles, Turkey, and Zimbabwe. The projects in Algeria, Central and West Africa, Guyana, Kenya, Mexico, and Vietnam attracted the most criticism. While there is no clear pattern distinguishing the high-rated from the low-rated projects, there are several projects dealing with unique, threatened biological assets among the former, while the latter include a number of the classical "paper parks."

Many significant lessons have been learned by the implementing agencies from developing the biodiversity portfolio and have been applied to the projects as they have been processed from concept and appraisal to implementation. Experience is showing that many problems of project design can be mitigated by effective and adaptive management of projects.

Global Benefits

Global benefits for biodiversity are usually defined in terms of the protection of species, ecosystems, or genetic resources that are important to the international community and are under threat. Many of the World Bank's projects included in the in-depth review have attempted to define global benefits in their documentation. For example, the Malawi project aims at the assessment, monitoring, and protection of a very species-rich ecosystem with uniquely high endemism (a UNESCO World Heritage Site); the Danube Delta project aims to protect a number of endangered or threatened species of migratory waterfowl (as does the Ghana project); while the Turkey project would protect in situ biodiversity of globally significant wild crop relatives.

The definition of global benefits, while present, is less evident in the documentation for the UNDP projects. With some notable exceptions, UNDP's projects tend to be mainly designed to strengthen existing institutions at the national or regional level and support conservation activities across a broad front, rather than focusing on specific sites, endangered species, or threatened ecologies. A good example of the classic UNDP institution-building approach is the first tranche regional project in East Africa—Institutional Support to Protect East African Biodiversity (see Box 5.2)—and a good example of a UNDP project with important global benefits is the fourth tranche project in Ethiopia—A Dynamic Farmer-Based Approach to the Conservation of African Plant Resources (see Box 5.1).

Box 5.1: Conservation of African Plant Resources

A dynamic farmer-based approach to the conservation of plant genetic resources has been launched in **Ethiopia** with US$2.5 million of GEF assistance. Ethiopia is a major center of genetic diversity for many regionally and globally important domesticated plant species such as sorghum, millet, barley, chickpeas, and coffee.

Indigenous crop landraces are critically important to the majority of the world's farmers working in low-input, subsistence agriculture. Moreover, indigenous landraces are also indispensable for modern international crop improvement efforts because of their tremendous value as sources of resistance to disease, pest, drought, and other stress conditions.

By helping to integrate Ethiopian farmers into the international plant genetic resource community, the project will contribute to the working out of a more effective global strategy for genetic resource conservation.

Many of the projects, as presented in their summarized form, seem to be "miracle projects," expecting to make a major transformation in the way societies behave toward biological resources, with a short-term, concentrated intervention. Some examples are the projects in Cuba, Mongolia, and West and Central Africa. Virtually all projects present inflated expectations, given the difficulty of the problems and the likely level of available funding. Such exaggeration is perhaps felt by the project initiators to be necessary to compete with other exaggerated claims, but it would be useful for GEF to try to ensure that the projects have objectives and expected outputs that are as realistic as possible.

Incremental Costs

None of the biodiversity projects sampled makes any reference to "incremental costs," though it may be possible to make post facto calculations. The rationale for GEF financing of biodiversity was often based on the premise that the activities to be financed would not be undertaken by the countries concerned without GEF financing, which often covered the *total costs of the projects*. This is consistent with the findings of the Stockholm workshop on Incremental Costs and Biodiversity Conservation, sponsored by UNEP on September 7, 1993. The Stockholm workshop's report to the Executive Director of UNEP, October 26, 1993, found that: "...many Participants [at the Workshop] did not believe that the incremental cost method for identifying and selecting environmental projects for funding through GEF is operational in most situations. It was felt that although the method can generate valuable information, it is not possible to replace the political process by a mechanistic application of a formula for estimating incremental costs....In summary, while the Biodiversity Convention states that incremental cost is the overriding principle for allocating funds, for practical purposes the concept needs to be defined very broadly and requires additional considerations in order to be useful. Most participants agreed that the method of incremental costs should be considered, but should not be made the centerpiece around which GEF decisionmaking revolves." Instead, the group recommended that the GEF encourage an internal policy process within countries receiving funding to implement reforms and make longer-term investments. "The investments should go beyond technical solutions (such as nature preserves) and assure the resilience of critical ecosystems, ecological services and the institutions that successfully manage this resilience." Similar conclusions were drawn by the Biodiversity Working Group convened during the workshop on "Financing the Net Incremental Costs of Implementing the UNCED Conventions," held in Rio de Janeiro in September 1993, organized by UNDP and the IBDS (Brazilian Foundation for Sustainable Development).

Innovation

The GEF could have given more emphasis to innovation, providing an opportunity to bring in new and experimental approaches to conserving biodiversity, and, in fact, a few of the projects are fairly innovative in scientific and technical terms.[9] It is regrettable, therefore, that so many of the projects are rather conventional, simply extending well-tested approaches into new areas. The need to establish a wide-ranging consensus in the selection and design of GEF projects is engendered by the superimposition of additional layers of review on the already heavy bureaucratic processes of the implementing agencies. This process tends to penalize, rather than encourage, real innovation, which, per se, is perceived as risky. And indeed, to the extent that GEF funding enables moribund existing programs and institutions to gain a second wind, the funding may stifle rather than promote alternative approaches. For example, strengthening central resource management agencies may discourage conservation initiatives at the local level. On the positive side, a few projects in the biodiversity portfolio have been innovative in two important respects: community involvement and new funding mechanisms. The projects in Bhutan (funding mechanisms) and Zimbabwe (community involvement) are good examples.

Participation

Appropriate plans and programs for conserving biodiversity and using biological resources sustainably need a balance between international, national, and local activities and close cooperation among a number of institutions. Most GEF work to date has been characterized by a top-down approach rather than responding to the needs of governments. It has not involved local communities in an effective way; it has sparked destructive competition among the implementing agencies and other global organizations working in the field of biodiversity; it has given inadequate consideration to sustainable use of biological resources; it has not meaningfully involved the NGOs; and it has been overly dependent on international consulting firms.

Most of the project documents refer to the importance of involving the NGOs and local communities in the process of developing GEF biodiversity projects. The terminology employed in most cases, however, is vague: "local communities, populations, NGOs." These are seldom spelled out, leaving the impression that the project managers have not really identified the social actors in question, with obvious potential risks for the success of the project. Much more attention needs to be paid to accurately identifying affected communities and the local NGOs and spelling out exactly what is meant by their "participation."

Box 5.2: Biodiversity Institutions' Support

The regional project—Institutional Support for the Protection of East African Biodiversity—to be implemented in Kenya, Tanzania, and Uganda will enhance the capacity of existing government and nongovernmental organizations to conserve biodiversity. The project will provide institutional support in the form of education, in-service training, and activities to increase awareness of conservation issues. This will be combined with conservation measures intended to put the training into practice. The project aims to improve coordination within countries by:

- Establishing—or supporting existing—biodiversity units within government environmental agencies.
- Enhancing regional collaboration through the support of training and information-sharing activities.

As the executing agency, the United Nations Food and Agriculture Organization will promote regional coordination through a central Chief Technical Advisor's Office in Tanzania. National steering committees will be responsible for monitoring the project and ensuring that national workplans are feasible. Most project activities will be implemented by governments or NGOs.

The World Bank's GEF coordinating unit has recently (June 1993) produced a draft document entitled "Socio-Cultural Analysis of Biodiversity Conservation: Interim Guidelines for Design of Participation Plans Using Socio-Cultural Profiles (SCPs)." The idea is that every GEF-funded biodiversity project that calls for the participation of local people should henceforth include SCPs as part of the project identification and preparation process. The guidelines are meeting some initial resistance among World Bank operating divisions, who see them requiring more time and effort at the beginning of the project cycle; however, their eventual adoption may help somewhat to give more meaning to the usual vague rhetoric contained in the project documents and improve chances for successful implementation. More important, though, would be major changes in management style, incentive structures, and organizational culture within the implementing agencies themselves, which would reward, rather than discourage, the additional time and effort required to secure participation.

Organization and Management: Institutional and Policy Constraints

Most of the projects included in the in-depth review covered the organization and management of project activities adequately in their documentation. World Bank projects tended to devote more attention to realistic timetables for implementing the various project actions and to strategies and conditionality designed to remove institutional and policy constraints, while UNDP projects mostly seemed to accept the status quo without attempting to do more than strengthen and support the existing institutional arrangements. This reflects the more accommodating approach of the UNDP to its member governments in general (see Box 5.2).

Perhaps the most useful role for the World Bank—in addition to its crucial role in fund management—would be to encourage developing countries to establish macroeconomic and sectoral policies that would enable the appropriate management of their biological resources. World Bank staff are well skilled in analyzing the complex issues involving these broad public policies and should do so for their impact on biodiversity.[10] They could start by ensuring that all of the World Bank's own projects are supportive of biodiversity; through such an effort the World Bank would demonstrate that conserving biodiversity should no longer be seen as an externality, but rather as a foundation upon which any nation's progress will be built.

Monitoring and evaluation. Only about half of the World Bank projects included in the in-depth review include built-in project monitoring and evaluation components. In December 1992, however, the World Bank's GEF coordination unit issued "Guidelines for Monitoring and Evaluation of GEF Biodiversity Protection" with the help of a team of outside experts. These guidelines have now become part of the standard procedures for the design of GEF biodiversity projects managed by the World Bank, and future projects will uniformly include such provisions. Monitoring and evaluation in the UNDP projects reviewed referred to the standard UNDP requirement for periodic tripartite reviews, there seems to be little if any provision for built-in monitoring of performance indicators.

Project Financing

The average size of grant funding for GEF biodiversity projects is US$5.6 million. The range is from US$0.2 million to US$30 million. UNDP projects, averaging US$4 million, are smaller than World Bank projects, which average US$7.3 million. As pointed out in the recent review of GEF biodiversity projects by Conservation International, the absorptive capacity of the natural resources management sector of most GEF recipient countries is very limited. Nonetheless, many GEF biodiversity projects propose to inject millions of dollars into sectors that are unable to use the money effectively over the short periods of time envisaged (for example, Brazil and Mexico). There is a danger that the tendency towards large, single-shot investments by the GEF will create overnight institutions that are likely to collapse when the donor community turns its attention elsewhere.[11]

The level of biodiversity funding provided by GEF has been both too high and too low. The funding is often too much (and too fast) for most of the typical projects, which are designed to deal with symptoms (for example, protected areas projects), and where absorptive capacity is modest and so are needs. The funding is typically far too little (and too short term), however, to deal with the underlying *causes* of biodiversity loss, which are intimately involved with the structure of national economies, land tenure, terms of trade, and exchange rates. But few, if any, projects have addressed such issues.

Use of cofinancing. There has been relatively little recourse to cofinancing for the biodiversity portfolio. So far, only eight out of 55 biodiversity projects are seeking cofinancing, as shown in Table 5.1.

Leverage. There is relatively little evidence that the GEF biodiversity projects have had a catalytic effect on promoting greater attention to the protection of global biodiversity.[12] The GEF has helped to keep the biodiversity issue before the world community. However, the investments made to date in the absence of a strategy, have tended to be haphazard, and, with the approach that has been taken, are likely to make only marginal contributions to conserving biodiversity. While it is too early to be definitive on this point, it appears that some projects may have deflected government or bilateral NGO investments, overloaded weak institutions, and implied that solutions to biodiversity problems are necessarily expensive.

Another implicit danger in the GEF portfolio is the separation of biodiversity concerns from the broader development concerns of nations. If the GEF tempts governments to separate "biodiver-

Table 5.1: Amount of Cofinancing Sought by GEF Projects in Biodiversity

World Bank Projects	*Amount of Cofinancing Sought (US$ million)*
Bhutan	10
Ecuador	1
Indonesia	10
Peru	4
UNDP Projects	
Colombia	3
Ethiopia	1
Nepal	5
South Pacific (regional)	3
Total	37

sity components" out of multilateral or bilateral project proposals, then the conservation of biodiversity is likely to suffer as a result. On the contrary, every effort needs to be made to ensure that biodiversity concerns are built into the entire project portfolios of multilateral and bilateral development agencies. Everything possible should be done to avoid the perception that the GEF biodiversity portfolio somehow "takes care of the biodiversity problem."

Sustainability

Projects are likely to be sustainable when they provide a flow of benefits to local communities and the nation, whereas those dependent on outside financing are likely to fail rather quickly when the GEF funding runs out. Many of the projects could be more sustainable if at least a part of the money were converted into a trust fund that could be used flexibly for meeting day-to-day needs that were unforeseen when the project was designed. The World Bank's GEF biodiversity projects include the use of trust funds in 13 countries,[13] all but one of which are being set up under the GEF project concerned. (See discussion of trust funds later in this chapter.) The UNDP biodiversity project documents contain little or no information on sustainability. Exceptions are the projects in East Africa and Colombia.

Conclusion

An important finding of the evaluation is that the GEF still lacks a convincing strategic framework to guide its investments in biodiversity. In fact, no effective criteria have yet been established for the selection of biodiversity projects. Although the GEF has played a useful role in stimulating the negotiations leading to the adoption of the Biodiversity Convention, the investments made to date have tended to be haphazard, and many may make only marginal contributions to conserving biodiversity. The level of funding provided by the GEF has often been too large for conventional "conservation projects," but is typically inadequate to influence the root causes of the loss of biodiversity. Many projects, as presented in their summarized form, seem to be "miracle projects," expecting to make a major transformation in the way societies behave toward biological resources, with a short-term, concentrated intervention. Virtually all projects present inflated expectations, given the difficulty of the problems and the likely level of available funding. With some exceptions, GEF investments in protected areas have tended to be poorly conceived, because the approach has been too site-specific, the process for determining priorities was seldom appropriate, and the size of the investments was larger than could be absorbed.

The projects seldom appear to address the highest priorities as identified by the governments themselves, and there is only a partial correlation between the location of the projects and the areas of highest global priority.[14] Very little GEF work to date has responded to the needs of governments; involved local communities in an effective way; sparked creative cooperation among the implementing agencies and other global organizations working in the field of biodiversity; meaningfully involved NGOs in project development; or established independence from international consulting firms. Furthermore, the GEF has not given sufficient attention to building appropriate national institutions for conserving biodiversity and using biological resources sustainably.

Other more specific fundings are:

- The GEF has not yet been very innovative; many of the projects are rather conventional;
- Most of the projects included in the in-depth review covered the organization and management of project activities adequately in their documentation;
- Few UNDP biodiversity projects have addressed institutional and policy constraints in recipient countries; perhaps the most useful role for the World Bank would be to encourage recipient countries to establish macroeconomic and sectoral policies that would enable the appropriate management of their biological resources;
- Only some of the GEF projects build in financial sustainability, yet this should be a crucial part of all projects;
- There has been relatively little recourse to cofinancing for the biodiversity portfolio;
- There is little evidence of project-level additionality resulting from the GEF biodiversity projects.

Global Warming

The global warming[15] focal area portfolio for the GEF pilot phase consists of 42 projects totaling US$281.3 million. The focal area accounts for 38 percent of GEF projects authorized during the first five tranches, and represents 40 percent of total funding, percentages largely in accord with allocations among the four focal areas as determined by the GEF participants.

Of the 42 projects, UNDP will implement 24 (57 percent), the World Bank 17 (40 percent), and UNEP one (about 3 percent). Funding percentages reflect high capital expenditures for investment projects; the World Bank's 17 investment projects will expend close to two-thirds (64 percent) of funding for the focal area, and UNDP's 24 technical assistance projects account for just over one-third (35 percent).

Of UNDP's 24 technical assistance projects, 14 are located in individual countries and five are regional. Five others are considered global and provide, for example, technical support to the conventions on biological diversity and climate change and to the World Meteorological Organizations's emissions monitoring system. Among the sectors considered by country projects are energy efficiency and conservation; conversions to less polluting fuels; transport fuels; alternative energy sources (such as wind, solar photovoltaics, and wastes); and carbon sequestration.

The one UNEP project will support the development of a methodology for the calculation of national greenhouse gas sources and sinks and carry out comprehensive inventories of emissions and sinks in 11 countries.

Among the World Bank's 17 investment projects, three address methane emissions. Of the remaining 14 projects focusing on emissions of carbon dioxide, seven promote development of alternatives to fossil-based energy sources, including wind, solar, geothermal, and waste. Two projects convert existing coal-fired energy systems to less polluting fuels. Three projects focus on end-uses of energy through demand-side management measures such as efficient lighting. One project confronts deforestation, and one addresses transport.

The following discussion evaluates the projects selected for the global warming focal area during the pilot phase, paying particular attention to the impact of competing criteria on the portfolio.

Geographic Balance in the Pilot Phase

The geographic distribution of the 42 global warming projects is generally balanced among the five geographic regions defined by the GEF: AFR (26 percent), Asia and Pacific (29 percent), LAC (17 percent), ECA/MENA (14 percent), and global (14 percent). Funding among the geographical regions is not as evenly distributed—for instance, a significantly higher amount of money has been authorized to projects in Asia and Pacific than in Africa, LAC, or ECA/MENA, but this in part reflects differences in population. Close to half of the GET funding went to the Asia and Pacific Region (US$129.5 million or 46 percent), mainly due to two large project allocations in the Philippines (US$30 million) and India (US$26 million). The other regions received 20 percent (AFR), 11 percent (LAC), 15 percent (ECA/MENA), and 8 percent (global/regional).

The widespread distribution of funds responds primarily to political imperatives, including ensuring support for the GEF and specifically, ensuring widespread participation in the intergovernmental negotiating process on climate change.[16]

Generic and Focal Area Strategy

Pressure for universal participation has led to compromises in both generic and focal area eligibility criteria. More specifically, the aim of universality undercuts part of a principal objective of the global warming focal area: to develop a menu of technologies that offers the greatest possible emission reduction at the lowest cost.[17]

No strategy has been made to identify cost-effective options. In practical terms, a strategy to identify and choose cost-effective options would call for eventually selecting projects on the basis of their ability to achieve the lowest average cost per ton of carbon-equivalent reductions. But zeroing in on strict cost-effectiveness might concentrate investment on the simplest and cheapest projects in one or two of the largest and most polluting countries that offer wider opportunities for in-country replication, and, thus, potentially greater impact.

The participants have struggled to reconcile the overarching principle of universality with the ultimate objective of developing an array of cost-effective interventions that have significant global impact. Reviewing the Mali Household Energy Strategy Project, for instance, participants noted that the intervention did not appear to tackle a major problem. It was left to the World Bank, which reiterated to the participants their decision to balance allocations geographically, reminding them that if simply targeting the largest sources of greenhouse gas emissions was the goal, the bulk of projects would be located in China and India.[18]

Allocation Priorities

After STAP established generic eligibility and focal area criteria it also, in its Ad Hoc Working Group on Global Warming and Energy (AWG-GWE), outlined categories of interventions and suggested funding allocations among them.[19] Within these categories of interventions, the AWGGWE proposed project priority areas and recommended that at least 80 percent of funds allocated to each category be directed to the illustrative priority projects.[20]

The intense need to balance the portfolio, geographically and among allocation priorities, often upstaged even generic eligibility criteria requirements such as an articulable basis for needing GEF funds, or having a conducive policy environment. It was acknowledged that Tehran's Urban Transport Project was not expected to have a catalytic effect that would not occur without GEF funds. Commendations were nonetheless extended for "bagging a project" that "filled a gaping hole in the GEF portfolio." Both STAP and the participants concluded that the policy framework was inadequate, given drastically underpriced fuel (US$0.12/gallon). The STAP recommendation, too, appears to have been influenced by portfolio gaps. In recommending that the Tehran project move forward, the STAP comments note explicitly the absence of any other credible transportation proposals.

The formulation of UNDP's Fuel Efficiency in the Transport Sector Project in Pakistan proceeds despite serious doubts as to whether adequate policy and legislative measures on emission and fuel efficiency standards will be in place to stimulate demand for instrumented engine tune-ups. The project has sailed through the review process without major criticism to this point even though important project parameters such as the price of fuel and the existing regulatory structure are not discussed in the relevant appraisal documents. The project if properly framed could generate significant conventional benefits in terms of fuel savings and increased vehicle lives. The GEF's funding of the full cost of this US$7 million project may therefore not be warranted despite Pakistan's importance as a potentially large polluter.

If it is assumed that the overriding focal area strategy is to provide decisionmakers with a roster of options offering the greatest possible reduction at the lowest cost, then the global warming portfolio can be judged only to be partially successful. Cost-effectiveness has not driven project selection. But projects authorized during the first five tranches, viewed together as a portfolio, address relevant sectors, reach an array of technologies, and support widespread political participation through geographic diversity. Thus, it appears that one fundamental objective of the pilot phase, to gather experience on a variety of potential reductions, was accommodated under the seemingly arbitrary application of criteria.

Integration with National Environmental Strategies

Concerning the global warming focal area, national environmental strategies, where they exist, are focused on domestic issues, highlighting such concerns as air quality and the effect of pollution on health. The global dimension is very often left out. Mechanisms are therefore needed to build up local capacities for the formulation of such strategies and extend them to cover GEF objectives. Specifically global warming sectoral strategies at the national level need to be strengthened so that they could become the mechanism for setting priorities among local opportunities and meshing national with global interests on a systematic basis.

Global Benefits

Of the generic eligibility criteria developed by STAP, a basic requirement is that a project have the potential to benefit the global environment. For the global warming focal area, global benefit equates to reduced emissions of greenhouse gases, primarily carbon dioxide and methane.[21] In practice, assessment of global benefits has played only a modest role in project selection. For technical assistance projects in general, and for a small number of investment projects, global benefit can be described only qualitatively. Projects in this category offer only indirect or potential future global benefit, through capacity-building activities or evaluations of potential measures.[22] Among projects expected to bring direct reductions, the ways in which projected global benefits are described in project documents vary wildly. Some project documents offer only qualitative description of a project's expected global benefits, while others attempt quantitative projections of CO_2 reduced or avoided. Generally, descriptions of global benefit improved in later tranches.[23]

Even where attempts have been made to quantify global benefits, assessments have been imprecise due to conceptual confusion. First, no methodology exists to guide the calculation exercise, and no baselines have been constructed, especially with respect to calculating emissions avoided over time. Second, a source of confusion is whether and how to account for emissions avoided as a result of GEF-leveraged cofinancing or private sector funding, or from projects that GEF subsidies are expected to facilitate. Finally, there are no rules for whether and when the benefit calculation is to include reductions resulting from associated projects, or whether benefits should be characterized solely in terms of what the GEF subsidy achieves. Difficulty in making a judgment about global benefits reflects a problem inherent in the GEF methodology and the GEF generally: namely, the need to make assumptions about what would occur in the absence of the GEF intervention.[24]

Often the project development process leaves details to be worked out during and after appraisal. This approach renders calculation of global benefits highly speculative, at least at the time projects are reviewed and authorized.[25] Because global benefits are described and calculated differently among projects, estimation of a project's impact in terms of emissions reductions has not yet served as a solid basis on which to evaluate relative worth of project proposals. Despite agreement that many interventions have the *potential* for great impact on global emissions, estimation of global benefits requires standardization if it is to be used appropriately.

Incremental costs. One of the fundamental imprints of the GEF was that it would fund the additional or "incremental" cost of capturing global benefits. The idea stemmed as much from the practical need to stretch limited GEF resources as it did from the desire to distinguish the GEF as a fund for global problems, unaddressed by existing aid. The concept of incremental cost now is enshrined also in the Climate Convention: developed-country parties are charged with providing resources to meet the "agreed full incremental costs of implementing measures" undertaken by developing countries.[26]

But focus on incremental costs generated a mythical notion that every GEF project has a point below which only national benefits exist, but above which global benefits would begin to accrue. Reliance on such a premise has generated considerable confusion. Documents supporting project development indicate far greater uncertainty regarding the calculation of incremental costs than with any other standard guiding project selection.

Requiring positive incremental costs as a funding criterion, however, rules out many promising energy efficiency and demand-side management (DSM) projects, most of which have negative incremental costs (economic benefit exceeds costs). Efficiency and DSM projects usually have "financing gaps"—significant upfront costs followed by benefits realized slowly over time—but GEF grants theoretically cannot cover such costs, despite global benefit and cost-effectiveness. Each of the documents for the three global warming investment projects with DSM components (Jamaica, Mexico, and Thailand) successfully argued that the reluctance of consumers to meet even small upfront costs and the hesitation of inexperienced utilities to risk capital outlays made GEF funding appropriate. Giving GEF limited loanmaking authority or permitting the creation of revolving funds akin to the trust funds authorized in the biodiversity focal area, specifically for Type 1 Projects where STAP guidelines indicate GEF resources are appropriate, would permit increased financing of attractive efficiency and DSM options, as well as relieve recipients from needing to establish a "compelling case."[27]

Cost-effectiveness. Cost-effectiveness describes the relationship between costs to the GEF (incremental) for a given amount of emissions reduced, avoided, or sequestered (global benefit). Stress on cost-effectiveness results directly from donor expectations that limited contributions need to be used efficiently. The principle serves as a fundamental element of the Facility's ultimate goal of developing a least-cost emissions strategy and therefore was essential in the analytical framework used by STAP to articulate criteria and priorities. Participants realized early on, however, that determination of cost-effectiveness of GEF investments, at least initially, would be based on physical rather than monetary calculation of global benefits.[28]

The term "cost-effective" nonetheless has been used extensively during the pilot phase. The implementing agencies, STAP and the participants all have characterized projects as cost-effective but the term appears to have played a qualitative rather than quantitative role in project selection.[29] The components essential to making a determination of cost-effectiveness—primarily global benefits and incremental costs—have been widely misunderstood and miscalculated. As a consequence, it is understandable that cost-effectiveness has not been a factor in determining whether a project is an appropriate candidate for GEF funds. This perception is supported by the huge range for costs-per-ton of CO_2 and other greenhouse gases avoided as calculated for GEF investment projects: from US$0.20 to US$45.

Innovation
Direct tension exists between donor interest in innovative projects and at least three other generic eligibility criteria: that projects have a firm scientific and technological basis; that they have a good chance of succeeding, and that they be replicable in an international context. While innovation does not automatically rule out a project's chance of success, one can understand recipient wariness of unproven technologies.

Participants were sensitive to the competition between innovation and replicability. Their review of the Costa Rican windpower project supported UNEP's criticism, which suggested that technological innovation was better left to the developed world's resources. By suggestion of the participants, the truly innovative aspect of the proposal, the use of electronically controlled turbines, was relegated to the competitive bidding process. Because commercial operating experience will be among the criteria, the advanced turbines ultimately may be excluded.

While project preparation and review focused heavily on meeting the innovation criteria, it was, in practice, sacrificed for the competing demands to approve projects. The rush to authorize funds also worked against real innovation—many of the projects submitted to the GEF were reincarnations of projects that had been contemplated previously.

The STAP analytical framework acknowledges that as the GEF moves into its next phase, the premium on innovativeness will diminish and more emphasis will be placed on cost-effectiveness. But a lack of innovative projects may limit opportunities for discovering novel yet cost-effective methods for achieving reductions.

NGO and Community Participation
Included in the GEF generic criteria was an indication that projects should "be participatory in nature, involving close collaboration with local communities wherever possible." The GEF global warming portfolio includes a wide range of activities offering varying degrees of opportunity and need for community and NGO involvement. On one end of the spectrum, and comprising by far the largest number of activities, are the global, regional, and national planning activities. With the

exception of some case studies, these first-generation activities ordinarily do not call for direct community-level input.

Toward the middle of the spectrum are large-scale, highly centralized technology undertakings, which target commercial and industrial sector activities. Generally speaking, these investment activities also do not call for significant community-level involvement in their planning and execution. However, one high-profile GEF global warming activity contained project components dealing with resettlement and livelihood arrangements without adequate attention being devoted to structuring community participation during the formulation of the activity.[30]

On the other end of the spectrum, the GEF portfolio includes several activities in such areas as forestry preservation and decentralized energy systems, which call for considerable community involvement and, often, NGO advisory assistance in both activity development and execution. A sampling of the documents for these activities reveals a general sensitivity to the requirement for local participation.[31] A few proposals were inadequate in their presentation either because they failed to address some important socioeconomic issues, such as land distribution and job-related aspects of large plantations,[32] or because they covered community involvement in a very sketchy manner.[33]

With respect to global warming activities, international NGO assistance was drawn on in designing a number of activities.[34] Local NGO involvement in GEF global warming activities has been limited and can be explained, in part, by the lack of a role for local NGOs in the energy sector of many developing countries. However, this does not account for the insufficient use of NGO skills in those areas on the activity spectrum where intermediary assistance could make an essential contribution to the proposal strategy.[35]

Many GEF activities were launched on an accelerated basis. The sense of urgency that prevailed throughout much of the pilot phase complicated efforts to obtain local participation. Ensuring participation can prove challenging and time-consuming, particularly since GEF "how-to" guidance is still in a formative stage. The sense of urgency also tended to downplay the role of local NGOs. As one recipient country representative pointed out: "The mission leader upon arrival felt that consultations with NGOs were not necessary. When NGOs were consulted the consultation was limited to the two key international NGOs due to time constraints."

Sustainability

Sustainability is embodied in the generic criterion that projects "contribute to sustainable development." In the global warming focal area, sustainability suggests several things: continuation of benefits after financial assistance is withdrawn; institutionalization of capacities to replicate the activity; and perpetuation of a policy environment that favors the undertaking of similar projects.[36] Misunderstanding as to the meaning of sustainability—particularly its economic, policy, and institutional components—resulted in the criterion being accorded uneven importance in the project development process.

Much of the confusion with regard to project sustainability reflects the World Bank's discomfort with the use of subsidies. The World Bank policies that encourage only economically viable projects to be undertaken are in direct conflict with a basic notion of the GEF: that its funding be used to make uneconomic projects economic, thereby making the project a viable option. Also, GEF subsidies are designed to catalyze market development and policy shifts. As technological feasibility is established and policy barriers are overcome, the expectation is that GEF subsidies will no longer be needed.

Sustainability in terms of policy setting requires a sectoral approach not currently employed by the GEF. Developing-country insistence on no new "green conditionalities" (a principle included in Agenda 21) has instead encouraged a project-by-project approach. Only in a few instances did a mature policy environment already exist. In Mauritius, for example, a high-level government-sponsored committee outlined the pricing reforms necessary to develop bagasse energy and the project was integrated into the country's national development plan. More typical are projects in China, Iran, Nigeria, and Poland where the issue of underpriced energy, although mentioned, was essentially ignored as a factor affecting sustainability.

Sustainability in terms of institutional capacities does not appear to have been used as a measure of project value. While several projects envisioned new or expanded institutions to assist with implementation, there is no evidence that attention was paid to the ability of these institutions to withstand withdrawal of GEF funding.

Leverage and Cofinancing

Given the GEF's modest resources, it was never presumed that the GEF would "solve" problems of the magnitude it sought to address. One measure of the GEF's success, therefore, was to be its ability to catalyze and leverage larger and sustainable improvements in environmental management.[37] Of the 17 global warming investment projects authorized during the pilot phase, 12 are GEF components of the World Bank-financed project. In addition, one is the GEF component of a project financed by the Inter-American Development Bank (IDB). Lending operations of the World Bank and the IDB associated with the 13 GEF projects amount approximately to US$2 billion. These operations would likely have proceeded with or without the GEF funding. Several of the GEF projects were simply added on as components of World Bank-financed projects that had already been under development. In cases like the Mali Household Energy Project or the Poland Coal-to-Gas Project, the GEF components still await the implementing agency management approval while their parent projects are already being implemented. Some of these components would have been incorporated in the larger projects without any GEF incentives.

Cofinancing arrangements, totaling US$42 million, were made for five global warming projects (one UNDP, four World Bank) under the GEF cofinancing agreements between the GEF and several donors.[38] Of this amount US$10 million compensated the reduction of GET funding to two projects; thus, additional financing made though GEF cofinancing is US$32 million.[39]

Conclusion

Many of GEF global warming project concepts were developed from projects already in the pipeline without the benefit of clear GEF criteria and with very little meaningful external review. The *process* of project selection and development has gradually improved with the creation of STAP and responses to comments and criticism by the participants and NGOs.

The enormity of the global warming problem is such that even a more heavily endowed GEF would not be able to significantly diminish greenhouse gas emissions from developing countries. Consequently, it is imperative that the GEF defines its strategic objectives in the global warming area.

International Waters Protection (IWP)

There are 13 projects that are receiving funds from the GET under the GEF international waters protection portfolio. Annex 2 provides a list of these projects. In addition, three projects authorized by the participants respond to both the GEF biodiversity and IWP goals.[40] The 13 projects constitute 11 percent of the total GET projects and 16 percent of the total GET funding (US$115.95 million). UNDP and the World Bank are the implementing agencies for 62 percent (8/13) and 38 percent (5/13) of all IWP projects respectively. No projects have been implemented by UNEP. Despite this distribution of projects between the World Bank and UNDP, GET funds were almost equally distributed among them (UNDP 45 percent, World Bank 55 percent).

Geographically, all regions, as defined by the GEF, received at least one project: two in AFR; two in Asia & Pacific; six in ECA/MENA; and two in LAC. Four of the projects are single-country projects, eight are regional involving more than one country, and one project is global in scope. The heavy concentration of projects in the ECA/MENA Region are divided in three international water bodies: Red Sea (two projects); Mediterranean Sea (two projects); and Danube River/Black Sea basin (two projects). Both of the projects in the LAC Region are located in the Caribbean Sea. Asia and Pacific and ECA/MENA received the most funding within this focal area (35 percent each). The China Ship Waste Disposal Project by itself received US$30 million (first tranche), which accounts for about 26 percent of the GET funding in this focal area.

As of June 30, 1993, only five IWP projects have been approved by the implementing agencies: two World Bank projects (US$34.75 million) and three UNDP projects (US$20.6 million). These account for 48 percent of the GET funds allocated to the IWP by the participants (refer to Annex 4).

Scope of International Waters Protection Projects
Most of the projects are relevant to marine environments (10/13) while the other three concentrate on fresh water (one in a river: Danube River Basin, and two in lakes: Lake Manzala, Egypt and Lake Tanganyika,[41] East Africa). Marine pollution control is the main objective of seven projects, most of them concentrating in ship-generated pollution (China, Algeria/Morocco/Tunisia, and the two projects in the Caribbean); the three freshwater projects deal also with pollution control. Training and institutional building are the main subjects of the global project, but capacity building is also an integral part of practically all projects. Surveys, environmental monitoring, institution building, and development of management plans are the topics of both projects on the Red Sea (Egypt and Yemen). These subjects are also part of most other projects.

Judging by the funding targets set by the participants, the IWP portfolio as a whole met the target (10–20 percent of the total allocations). The freshwater-related projects were grossly underfunded; marine-related projects received most of the support available for the portfolio (82 percent of IWP-GET funding or US$94.8 million).

Strategy
The strategy for selection and funding of projects in the international waters portfolio was based on the definition of international waters applicable in the context of the GEF[42] and the guidelines, principles, and priorities defined in various GEF documents, notably in the Analytical Framework being developed by STAP for international waters.[43] However, all these elements do not add up to a coherent strategy, with clear program goals, priorities and targets, and this deficiency is reflected in the international waters portfolio.

The main problems identified in the structure and implementation of the IWP portfolio are:

- The development of the portfolio suffers from the lack of a clear strategy, and it resulted in an ad hoc project-by-project approach. No well-defined program of work, with identified geographic and substantive priorities or credible targets, guided the selection of projects. Political considerations, the interests of the implementing agencies and the major contributors to the GEF funds, were among the most important factors influencing the composition of the portfolio.

- The broad and elastic definition of international waters does not recognize that these waters form a dynamically linked integrated whole with the waters under national jurisdiction. The protection of the "international waters" can not be effectively achieved without the protection of waters under national jurisdictions. Only a small part of human activities harming international waters originates from maritime sources or activities (about 12 percent from maritime transport, 10 percent from dumping, and 1 percent from offshore oil production). The major threat to international waters originates predominantly from land-based activities (77 percent).[44] This percentage is even higher in the case of river systems and lakes. Inappropriate watershed resource management practices and coastal zone development and management are the main causes of pollution from land-based sources. The GEF should have supported programs and projects not only in geographic areas covered by the GEF definition of international waters, but also in areas influencing these waters in order to prevent their negative impact on international waters. Only a few projects have been endorsed on control of pollution from land-based sources while five projects deal exclusively or predominantly with ship-generated pollution.

- The mismanagement of biological resources (mainly overexploitation of fisheries resources), as a major threat to the environmental integrity of international waters, is a serious omission. At least for the international marine environment, mismanagement of biological resources poses a far more serious ecological and economic problem than pollution itself.

From the outset, STAP was aware that "the objectives in [the international waters] area were currently very narrowly defined and did not address some important issues....It was felt that river basin management and use of waters among several countries was a global problem that should be included in the GEF terms of reference."[45] At its fifth session (May 1992) STAP again considered the issue and concluded that "a better definition of the problems affecting international waters would be needed; this could be done by better articulating the interfaces of oceans, coastal areas, and river basins." In addition, STAP maintained that "water scarcity [is] a global environmental problem dramatically affecting life on wide geographical areas" and that "water scarcity [is] often leading to irreversible impacts on flora and fauna, and hydrological processes."[46] The participants, in their meeting of December 1991, ruled out this subject for GET funding. However, at the same meeting, the participants decided that projects dealing with control of pollution from land-based sources are eligible for GET funding.

The GEF at present does not focus sufficiently on problems that are today generally recognized as the major imminent threat to international waters, such as degradation caused by pollution from land-based sources,[47] and irrational management (exploitation) of resources (overfishing and excessive withdrawal of water from river courses, lakes, and shared aquifers). The contribution of the IWP portfolio toward the improvement of these global environmental problems can be expected to be far below the level which could have been achieved with US$115.9 millions. Two reasons justify this statement: the lack of a recognizable strategy for the selection of projects; and problems associated with the GEF principles (see below), criteria, and management procedures. The development of human and institutional capabilities (part of practically all projects) will be the biggest beneficial output of the present portfolio, at least in the long term. Even in this area the impact of the GEF projects may be less than could reasonably have been expected if less use had been made of consulting companies and external experts, and more of the indigenous expertise in the countries where the projects are being implemented.

In addition to some of the problems reviewed above, the evaluators find that the last draft (May 1993) of the Analytical Framework for International Waters has the following shortcomings:

- It is too heavily biased toward problems of pollution.

- It should probably highlight more forcefully that today's environmental problems, including those affecting international waters, are recognized as problems stemming from inadequate or improper development whose ultimate solution should be sought in resolving conflicting interests for space and resources in the framework of an environmentally sound sustainable development. Four main factors, none of them specific to the international waters, seem to be at the root of the problems hampering this development: (a) inappropriate national and international economic policies and forms of development that do not take into account adequately the environmental consequences of these policies; (b) weak regulatory mechanisms and administrative systems dealing with environmental issues; (c) insufficient public awareness about the real causes and magnitude of environmental problems, and about the available remedial measures; and (d) inadequate forecasting of emerging environmental problems.

- It should take a more action-oriented approach in the list of "priority areas of intervention." Three of the items (out of 10) deal with monitoring of pollution and its effects. The knowledge accumulated during the past decades about the magnitude and the main causes of the degradation of international waters is considerable, and managerial, technical, and technological solutions to reduce or eliminate pollution are also quite well known. In most cases, these solutions are available to those who can afford them. Poor management and lack of financial resources rather than limitations of science and technology are among the main reasons for the continuing harmful land-based activities and practices affecting international waters. Monitoring and research have merits, particularly if they are well focused and target oriented, and the other items listed as priority areas of intervention are well balanced, the management of shared fisheries resources based on the approach advocated through management of large marine ecosystems (see Box 5.3) is an important area that should have been included among the priorities as it has a wide global rather than a narrow national significance.

Global Benefits

No serious attempt was made in any of the projects to quantify the environmental benefits, either global or national. The GEF stated that it would finance only activities that have global benefits, thus requiring a definition of global benefits. There is no agreed methodology to assess these benefits, or to express them in monetary or other quantifiable terms. One could easily argue that any national environmental benefit is also a global environmental benefit. Only in such a context do all examined projects meet this criterion. The definition of global benefits is largely based on value judgment, and therefore it is more in the realm of philosophy and ethics than in the field accessible to strict scientific scrutiny. It is easy to argue that by preventing one ton of oil from being spilled in the middle of the Indian Ocean global environmental benefits were obtained, but it is equally easy to contend that there are no measurable global benefits from such an act.

Incremental Costs

Examination of the international waters portfolio revealed that the incremental cost principle has been applied only in general terms rarely supported by rigorously quantified indicators.[48] This is understandable, in view of the difficulties in making a clear distinction between national and global benefits in projects related to international waters, and the lack of an agreed methodology for assessing these benefits. International waters do not have firm physical boundaries, and therefore it is easy to argue that any improvement of national waters contributes to the protection of international waters.[49] Moreover, even when the difference between host country's costs and benefits (that is, the incremental cost) may be made available through GEF, many developing countries could not benefit from such opportunity because they would have difficulty in covering their share of the costs involved without distorting their national environment protection priorities. A typical example can be found in the Caribbean ENCORE Project, where GEF's support is justified by argument that the long-term global, regional, and national benefits from such activities lack priority in the face of short-term national development needs. This is particularly true for the poorest countries and the strict application of the conditions laid down for Type 2 Projects may unjustifiably discriminate against them and favor countries with more favorable economic circumstances. In such context, practically all international waters projects should be in fact considered as Type 1 and not Type 2 Projects.

Innovation

Most projects claim, without convincing arguments, to be innovative. However, only the application of the "large marine ecosystem" concept in some projects (for example, China and Gulf of Guinea) may be considered as genuinely innovative, though inappropriate in the context of these projects.[50] The approaches, technologies, and methodologies proposed in many other projects are not new as they were already applied and tested under different circumstances worldwide. The technical bases of most projects are sound because they deal predominantly with the application of proven technologies tested in many previous occasions.

Participation: National Governments, NGOs, and Affected Local Communities

All projects reflect in varying degrees the environmental problems of the recipient countries. However, most of the project concepts have been initially developed by the implementing agencies, and the host country involvement occurred only after that stage. It is particularly true for all regional projects in the portfolio. In terms of other agencies playing a major role in initiation or shaping projects, four international organizations should be mentioned:

- The Intergovernmental Maritime Organization was substantively behind all four projects dealing with control of pollution from ships (China, Algeria/Morocco/Tunisia, and the two projects in the Caribbean);
- The United Nations Industrial and Development Organization, supported the Gulf of Guinea project;
- The US National Oceanic and Atmospheric Administration injected the "large marine ecosystems" approach into the China and the Gulf of Guinea projects; and
- The International Ocean Institute was the only NGO that initiated and became the co-executing agency for the Support for Regional Centers for International Oceans Training (global project).

The lack of adequate involvement of affected local communities in designing and implementing the projects is a frequent and justified criticism of most projects in the portfolio. Notable exceptions are the projects that have a biodiversity aspect (for example, Engineered Wetlands in Lake Manzala, Egypt) and the projects designed to produce resource management plans (for example, Coastal Zone Management in the Red Sea, Egypt, and Yemen; and Environmental Management and Protection of the Black Sea). In projects concentrating mainly on technological solutions (for example, China and Algeria/Morocco/ Tunisia) there is practically no involvement of local communities, and generally, this is not an essential requirement.

Sustainability

Projects linked to existing long-term national and intergovernmental programs, particularly those associated with international legal agreements, have good prospects to continue after GET support is terminated. In these cases the governments will not want to lose the benefits that can be gained by incorporating GEF-initiated and supported activities into the long-term program supporting such agreements (for example, Management of Pollution in South East Asian Seas; Coastal Zone Management in the Red Sea, Egypt, and Yemen; and Environmental Management and Protection of the Black Sea). Projects that had but did not use the opportunity to be linked with intergovernmental programs and international agreements (for example, Water Pollution Control in Gulf of Guinea) will most probably fade away once GET support is terminated.

National priorities designed to support sustainable development are inadequately reflected in the projects. This situation is openly recognized in a number of Project Briefs endorsed by the participants. For example, GEF support is justified by arguing that "the long-term global, regional, and national benefits from such activities lack priority in the face of short-term national development needs."[51] This justification contradicts the requirement of the principle that the GEF should promote national priorities supporting sustainable development.

Some IWP projects claim that their sustainability will be ensured by fees collected from the users of the facilities that will be established through the projects (for example, projects dealing with ship-generated pollution), by fiscal measures promised to be taken by the recipient governments (Management of Pollution in South East Asian Seas), by the benefits expected to be derived from the projects (for example, Coastal Zone Management on the Red Sea, Egypt), or by activities that will automatically follow (for example, from the investment portfolio of the Water Pollution Control in Gulf of Guinea and Environmental Management and Protection of the Black Sea). On the other hand, there are projects that are clearly unsustainable. Without including other international funding, such projects will most probably end in their present form as "single-shot" operations (for example, Support for Regional Centers for International Ocean Training, global project).

Cost-effectiveness

It is relatively easy to evaluate the cost-effectiveness of alternatives proposed for the solution of the same problems. Comparing the cost-effectiveness of projects dealing with different problems and sites is practically meaningless. This is the case if one attempts to evaluate the portfolio of the IWP projects as a whole. None of the projects proposals considered by STAP and the participants discussed alternatives, and therefore, the merits of the chosen alternative from the standpoint of their cost-effectiveness could not be examined. Moreover, the project proposals and briefs are too vague and overambitious, and the issue of cost-effectiveness has been treated too superficially.[52] Consequently, it is difficult to judge the degree to which the cost-effectiveness principle was applied to the projects in the IWP portfolio.

Replicability in an International Context

All projects in the portfolio could justifiably claim that to a certain degree they are replicable in an international context. Projects and project components dealing with technological issues (for example, control of industrial pollution in the regional project on Environmental Management in the Danube River Basin; control of ship-generated pollution in other four projects: China Ship Waste Disposal, both projects in the Caribbean, and the regional project in Algeria/Morocco/ Tunisia) are using known technologies that are relatively easily adaptable to local situations. Applied research activities are likewise based on methods used worldwide. However, there are a few highly site-specific projects (for example, Engineered Wetlands in Lake Manzala, Egypt) that depend on almost unique local climate, hydrological, and ecological conditions. The concept of such projects is, of course, replicable, but their design will almost certainly not be. The replicability of such projects is, naturally, restricted to areas with similar environmental conditions, although from a methodological standpoint even they can claim to be replicable. The China Ship Waste Disposal Project shows an example in which replicability was overstated and US$30 million was allocated to demonstrate that in six harbors in a single country the same approach and technology, already tested in many places worldwide, can be replicated.

National Environmental Strategies/International and Regional Conventions

The international waters are a shared natural resource without firm physical boundaries and therefore international cooperation on their protection and use has a long and fruitful history. Unfortunately, GEF did not use to the extent possible the opportunity to link GEF activities to the existing and evolving international programs, many of them supported by legally binding agreements.

The United Nations Convention on the Law of the Sea was recognized by UNCED as "the international basis upon which to pursue the protection and sustainable development of the marine and coastal environment and its resources." Although the convention is not in force yet, for all practical purposes it is widely accepted as customary international law. Yet, only one project, Support for Regional Centers for International Oceans Training, refer specifically to the convention.

The Convention for the Prevention of Pollution from Ships and its protocols (1993/78 MARPOL) is the only global convention which is referred to in a number of projects, all of them dealing with control of ship-generated pollution. However, it may be useful to reiterate that maritime transport contributes only about 12 percent to the pollution load of the oceans. The misconception still prevails that by rigorously applying MARPOL (and by using a high proportion of funds available through GEF for setting up port reception facilities), the largest part of the problems caused by marine pollution could be avoided.

There are large number of regional pollution control programs, many of them based on legally binding agreements, which are relevant to international waters. Only some of these programs were used effectively in relevant GEF projects (that is, Environmental Management on the Black Sea and Danube River Basin; and Coastal Zone Management in Egypt and Yemen), while others were clearly ignored (for example, Water Pollution Control in the Gulf of Guinea), or used only in a very noncommittal way (that is Lake Tanganyika, South East Asian Seas, and Algeria/Morocco/ Tunisia). The existence of numerous regional agreements dealing with resource management of international waters (for example, the regional fisheries agreements, agreements on sharing freshwater resources) is taken into account only exceptionally (that is, Environmental Management and Protection in the Black Sea).

Despite STAP guidance on the issue of international and regional conventions,[53] the GEF missed the opportunity to increase the portfolio's impact on IWP by largely neglecting the opportunity to lodge a larger number of projects in the framework of existing programs, or to establish firmer links with such programs.

Most projects are relatively low on the countries' development priorities, and therefore would probably not be included in national development portfolios without GEF funding, or at least not in their present form.

Firm Scientific and Technical Basis
All projects in the IWP portfolio are based on science, but due to their nature some of them do not require a technical basis (for example, the global training program). A number of projects are based on first rate science, firmly and organically linked with the project objectives (that is, Engineered Wetlands in Lake Manzala, Egypt and Environmental Management and Protection of the Black Sea). The scientific components of some other projects are probably equally sound, but less well adapted to serve the central objectives of the projects (for example, China Ship Waste Disposal and Water Pollution Control in the Gulf of Guinea). In one particular case (Water Pollution Control in the Gulf of Guinea) the project looks like an accidental mismatch between a clearly conceived technology and an unconnected scientific approach. The technical bases of most projects are sound because they deal predominantly with the application of proven technologies tested in many previous occasions.

Organization and Management
All projects seem to have introduced some component dealing with the development of human and institutional capabilities. These are the most frequent and severely limiting factors of sustainable development in most of the developing countries, and particularly in those that need it most. Therefore, in the long term the development of these capabilities should be considered as probably the most beneficial and lasting effect of the majority of the projects.

Evaluation and Dissemination of Results
Plans for the evaluation of projects results are usually restricted to the standard internal evaluation procedures used by the implementing agencies. Evaluations are also planned by meetings convened under the projects. Almost all projects envisage a wide dissemination of the obtained results, although in most cases it is not clear how and to whom the results will be disseminated.

Conclusion
Assuming that IWP will be retained as one of the GEF's focal areas, it would be advisable to reconsider the GEF preset approach to activities to be supported within this area. The present strategy, presented in *The Pilot Phase and Beyond* and the STAP Analytical Framework for International Waters, should be within an overall framework of and responding to the global environmental and development priorities identified by Agenda 21. In addition, the strategy should be supportive of the existing and evolving global, regional, and national environmental programs, agreements (conventions), and priorities, based on the best available scientific knowledge. Radical, and not only cosmetic, changes will be needed to implement even the best strategy. A coherent program of work, based on the strategies, goals, and priorities adopted for the protection of international waters, should be formulated and formally adopted by the participants. No project should be considered for GEF support outside of this adopted program of work.

The goal of the IWP strategy should ensure the use of international waters without damaging their integrity (structure and processes). For example, restoring damaged systems should have a high priority. Other priorities of GEF intervention should focus on actions towards

Box 5.3: Innovative Concept, Wrong Application

Large Marine Ecosystems

Large marine ecosystems (LMEs) are defined as regions of marine space characterized by distinct bathymetry, productivity, and trophic linkages. The LME concept is generally applied to offshore areas of the ocean that have a functional integrity as a consequence of ocean circulation patterns. As a concept LME emphasizes the integrity of the system as a unit and the relationships between its components. It is therefore attractive as a potential management tool. LMEs are subject to wide inter-annual and inter-decadal variability and the relationship between changes in the physical and biological components of these systems is not well understood. Observed changes in the biological components of LMEs may be unrelated to human impacts and activities. Scientific understanding of the way in which LMEs function and the causes of the observed variability is in a preliminary stage of development. To date no LME is being systematically monitored.

The concept of the LME appears in two projects for pollution control and biodiversity conservation in the GEF Pilot Phase: the Gulf of Guinea Large Marine Ecosystem and China: Ship Waste Disposal. LME monitoring is also being considered for inclusion in other projects as the project ideas are developed.

Monitoring the health of the LMEs in the two projects mentioned above is to be undertaken by collecting plankton data using continuous plankton records and monitoring other physical and chemical parameters relevant to biological productivity. While the proposed techniques and parameters may be appropriate for monitoring changes in the biological components of an LME, they do not relate to the other activities of these two projects, as they are not suitable indicators of the level of particular pollutants.

In the Gulf of Guinea industrial pollution contributes only around 25 percent of total pollutant inputs to the coastal lagoons; the volume of pollutants leaving these semienclosed lagoon systems and entering the large marine ecosystem is unknown, but likely to be a small fraction of the total. The volumes of these pollutants will not change significantly over the period of the project. Thus, the monitoring of the LME for pollution levels is unlikely to detect changes in the LME due to these sources. The best that this monitoring could provide is a baseline plankton data set against which future changes might be detectable in the long term. The China project is concerned with reducing ship-generated wastes. However, the proposed LME monitoring component will neither monitor indicators of pollution nor determine the significance of ship-borne wastes for the LME.

Although the LME concept has considerable merit, its application to these projects will neither benefit the projects nor advance our understanding of LMEs. On the contrary, the superficial application of the concept to these projects may lead to discrediting the concept as a management tool and cause greater difficulty with its future application in a more appropriate context.

solving the problems that are today recognized as the major imminent threats to international waters—ecological degradation caused by pollution from land-based sources and by inappropriate watershed and coastal zone planning, development and management; and unsustainable management (exploitation) of resources (for example, overfishing, and excessive withdrawal of water from rivers, lakes, and shared aquifers).

International waters, defined as waters outside of national jurisdiction, and waters over which no country exercises complete sovereign rights, form a dynamically linked integrated whole with the waters under national jurisdiction. Only a small part of human activities harming international waters originates from maritime sources or activities. The major threat to international waters originates predominantly from land-based activities and is conveyed to international waters through waters under national jurisdiction. Therefore, it is obvious that significant protection of international waters cannot be achieved without protection of waters under national jurisdiction, and without dealing with the direct causes of their degradation.

Some of the GEF principles such as incremental costs and global versus national benefits should be used flexibly and only in a very pragmatic way, as their value is arguable in the context of international waters. Other concepts such as innovation should be supported by GEF grants for research projects. The value and applicability of the large marine ecosystems concept (see Box 5.3) should be tested by a separate project instead of uncritically associating it with projects to which it cannot contribute.

UNEP, as the implementing agency with the highest political and institutional mandate in the protection of international waters, and as the Secretariat of a number of international conventions and coordinator of programs under these conventions, should play a more active role in ensuring that the global, regional, and national priorities are respected and supported through the GEF.

Reducing Ozone Depletion

Background

The protection of the ozone layer is achieved by reducing the amount of ozone depleting substances reaching the stratosphere. The production, trade, and consumption of ODS is controlled by the Montreal Protocol (1987). The second meeting of the Parties to the Montreal Protocol on ODS (London, 1990) established the Interim Multilateral Fund as the financial and technical cooperation mechanism only for Parties operating under Article 5 of the Montreal Protocol. The Fund was established so Article 5 countries could comply with the control measures set out in Article 2A through 2E of the Protocol. When the London Amendments were finally ratified by the requisite 20 Parties to the Protocol, in the fall of 1992, the interim fund became a permanent facility: the Multilateral Fund for the Implementation of the Montreal Protocol (MFMP). An Article 5 country is defined by the Protocol as a developing country whose "annual calculated level of consumption of controlled substances is less than 0.3 kg per capita on the date of the entry into force of the Protocol for it."[54] As of August 31, 1993, 77 countries out of 123 that have ratified the Protocol are designated Article 5 countries on either a permanent (43) or temporary basis (34).[55]

Country and Project Eligibility for GET Funding

The first Report by the Chairman, May 1991, did not include the protection of the ozone layer as a focal area of the GEF, as described in the section on "Scientific Objectives for GEF Operations" because "the ozone depletion reduction objectives are handled under the arrangements for the Montreal Protocol." It was not until December 1991 that the participants included the protection of the ozone layer as a GEF focal area.[56]

A country and/or project is eligible for GET funding in the protection of the ozone layer if:[57]

(a) The country does not qualify for MFMP support because its ozone depleting consumptions are above the cut-off point of 0.3 kgs per capita (the country is not in the list of Article 5 countries);

(b) Country and project fulfill the STAP generic criteria as spelled out in the *Pilot Phase and Beyond*;

(c) Country and project fulfill MFMP requirements for funding, other than the Article 5 requirement (STAP did not develop a separate criteria for ozone projects since it adopted MFMP eligibility criteria); and

(d) The country's GNP per capita is below US$4,000 (1989 figures).

The number of countries eligible for GET funding under the four conditions described above is small. As of August 31, 1993, eight countries, all from the Eastern Europe/NIS Region, could potentially qualify for GET funding: Belarus, Bulgaria, Hungary, Poland, Russian Federation, Slovakia, Ukraine, and Uzbekistan. According to the Report of the Chairman of December 1992, the Executive Director of UNEP confirmed to Parties of the Protocol in November 1992 that the GEF will be responsible (in the next phase) for assisting countries with economies-in-transition to phase out consumption and production of ozone depleting substances. A project has been authorized by the participants in the Czech and Slovak Republics and activities are planned for Poland, Russia, Ukraine, and Belarus.

Because the eligibility for ozone depletion projects comes straight from the Montreal Protocol and MFMP criteria, evaluation of the technical merits of this focal area go beyond the terms of reference of this evaluation. A recent evaluation of the Montreal Protocol explains that "the Montreal Protocol has enjoyed considerable success in reducing the production and consumption of CFCs in industrialized countries" as well as in the large-scale accession of developing countries to the amended Protocol.[58]

Projects in the GEF Pilot Phase Portfolio

The protection of ozone layer focal area was expected to be a small percentage of the GEF pilot phase portfolio. In fact, as of June 30, 1993, (first through fifth tranches) one project has been authorized by the participants (during the December 1992 meeting of the fourth tranche) that qualifies under the focal area's criteria: Ozone Depleting Substances Reduction in the Czech and Slovak Federal Republics (CSFR)[59] implemented by the World Bank (US$3.8 million). The proposed project would implement a comprehensive national strategy to phase out the use of ODS by the year 2000, the then Montreal Protocol deadline for developed countries. In addition, the project will develop the organizational and technical basis for replicating the ODS phaseout strategy and project in other Eastern Europe/NIS countries.

Another project was authorized by participants, as part of the fifth tranche, for the southern cone countries of South America (Argentina, Brazil, Chile, Paraguay, and Uruguay): Southern Cone Monitoring and Research Network for Ozone and Greenhouse Gases in the Southern Cone (Phase I) to be implemented by UNDP (US$1.9 million). The project will concentrate on the improvement of global understanding of the regime of atmospheric changes, with initial emphasis on ozone changes. It will establish three new total ozone stations to systematically measure UV-B and ozone in a data-poor region. According to the Report by the Chairman of May 1993, the project was classified under both the ozone depleting and global warming focal areas. However, it does not qualify for either one because (a) the countries involved qualify under Article 5 of the Montreal Protocol, and thus cannot receive GET funding; (b) monitoring activities are not eligible;[60] and (c) the project does not promote new technology for the reduction of emissions of greenhouse gases. This project should have been classified under the GEF research category, because it supports scientific activities compatible with the Vienna Convention, as stipulated by STAP criteria in its guidelines for the research category.[61]

Conclusion

Although the ODS focal area constitutes a small percentage of the GEF activities, it raises the issue of defining GEF activities that overlap with existing international conventions and trust fund mechanisms to finance global environmental programs. Apparently, this has been solved by delegating to the GEF projects in countries with economies-in-transition (Eastern Europe and NIS Region).

The GET and the OTF were both created under the same World Bank resolution, but they differ greatly. The GET provides funds for all projects under the GEF that are implemented by any of the three implementing agencies, using funds provided by the participants. The OTF is only a trust fund for the World Bank to implement projects qualifying for MFMP funds. The level of funding of the OTF is approved by the Executive Committee of the Montreal Protocol as part of a work program. The GET and the MFMP are two different financial mechanisms for global environmental projects. The structures that govern and administer both are also quite different. Assessments of the advantages and disadvantages of these different approaches may be useful to guide future decisions on arrangements for protecting the global environment.

Trust Funds in GEF Projects

Financial sustainability calls for developing mechanisms that address the recurrent costs of conservation actions and support administrations over the long term. With the GEF's emphasis on innovation, institution building, and cost-effectiveness as well as the pressing need for continuity of investments in biodiversity projects, the use of trust funds and endowments for biodiversity conservation seems an important innovation. Hard currency trust funds, for example, not only provide a hedge against currency devaluation, but they also help to address concerns about project size, project cycle, long-term funding, and local capacity.[62]

Trust funds have emerged as a promising solution to the uncertainty of future funding for recurrent costs for conservation administrations, research bodies, and programs in the developing countries, generally. Typically, their design calls for preserving capital in perpetuity while providing perhaps 3 percent of principal as net income for recurrent expenditures. GEF projects have funded or include plans for designing trust funds for 13 countries[63] (see Annex 5). Though the involvement and the contribution of the GEF vary with each trust fund, the GEF project will, in all cases, be used as the vehicle for mobilizing the funds. These trust funds represent the first group of large trust funds for biodiversity protection globally.[64]

Given the newness of trust funds in development assistance programs, a reference to other experience may be useful, such as the USAID work with endowments in Latin America and the Caribbean. A USAID evaluation report issued in 1990 reviewed its experience dating from the 1980s.[65] The report noted that USAID-supported endowments were being used to strengthen and sustain the financial base of existing or new institutions and transfer important development functions, previously poorly performed by the public sector, to more entrepreneurial and nonbureaucratic organizational structures.

The Bhutan Trust Fund for Environment Conservation

The first GEF conservation trust fund was the Bhutan Trust Fund for Environment Conservation (BTF) set up by the Royal Government of Bhutan in collaboration with the World Wildlife Fund (WWF) and UNDP on March 6, 1991. The objective of the project was to assist the government to initiate a comprehensive nationwide environmental conservation program financed by a trust fund. Being the first one of its kind under the GEF the BTF is being used as a role model for establishing other trust funds in GEF biodiversity projects.[66] Some principal features of the BTF, therefore, are discussed below.

- On March 6, 1991, the three parties signed the Memorandum of Understanding which established terms and conditions for cooperation to secure financial and technical assistance for the project. WWF and a technical advisory board of suitably qualified professionals were to provide technical support.

- It was envisaged that the trust fund would provide a guaranteed source of funding for long-term conservation initiatives in the country whereby both capital investment and recurrent costs would be financed. The UNDP Trust Fund Department in New York would administer the fund, and project activities would be financed from the interest earned from the principal invested by UNDP. The real value of the BTF initial capital would be preserved in order to generate a sustainable revenue stream for as long as possible by returning a portion of the investment income to the principal each year to compensate for inflation. Depending on the scale of contributions received initially, the BTF would meet growing expenditures by raising additional capital and also by drawing down BTF funds in excess of US$10 million in constant 1992 dollar terms.

- US$20 million would be required to achieve the level of financing eventually needed from investment income. Of the total amount the GEF would provide US$10 million and the government would have to seek the balance from other donors. The funds would be disbursed in two tranches of US$10 million each. The first tranche would include US$7 million from the GEF and the balance (US$3 million) from other donors. As of May 1993, US$2.535 million of this balance had been committed by three donors. In the second tranche the remaining US$3 million of the GEF grant and US$7 million from other donors would be disbursed after certain conditions had been met by the government. This two-tranche system of disbursement creates pressure for rapid start-up, helps ensure that funds are used for the purposes intended, tests institutional arrangements and avoids the overcommitment of GEF resources if project objectives cannot be achieved in a timely fashion.

- A management board initially comprised of three representatives of the government and one each from the WWF and UNDP would govern the BTF. The management board would provide policy and program guidance; approve the annual work program and budget; provide an estimate of annual expenditures to UNDP to facilitate the timely release of funds; appoint a program coordinator who would be responsible for the day-to-day administration of the BTF; and review status reports prepared by the program coordinator on the progress of project activities and the financial situation, making any needed adjustments.

- In order to ensure that funds are not used irregularly, the World Bank would review and comment on draft annual work programs, and progress reports would be submitted annually. A midterm review is proposed for the end of year three and project would close when the second tranche is released or after five years (July 1, 1997). A Project Completion Report would be prepared within the next six months of the closing date. Moreover, the Royal Audit Authority of Bhutan would be responsible for conducting an audit of the finances of all agencies of the government at the end of each fiscal year.

The chief risks that this project faces are:

- A slower-than-expected buildup of institutional capacity, which, however, may be reduced by the program approach under which steps are taken to assign and train people before activities are launched;

- Potential difficulties in working in southern Bhutan due to ongoing social conflicts. Also pressures generated on natural resources from population growth and economic development will have to be addressed in order for the project to succeed; and

- Inadequate financial resources to support the program—it is estimated that an initial principal of US$10 million, at current interest and inflation rates, would generate (after returning part of the income to maintain the real value of the capital) a revenue stream in the increasing order of US$292,000–305,000 during the first five years. Even in a country like Bhutan, this amount will not go very far.[67]

A basic issue for trust funds is the high level of capital required to generate adequate revenue for project operations. While the GEF may be able to provide the major part of the capital, it is uncertain whether donors will join in providing the substantial capital funds required as well, particularly in view of their contributions to the GEF Trust Fund. At the same time, the trust fund mechanism provides a means for large commitments of GEF funds for biodiversity programs that have been criticized for providing too much money too rapidly. Periodic evaluations of the GEF's and other experience with trust funds are highly desirable to determine the strengths and weaknesses of this useful innovation.

Endnotes

1. Refer to Annex 1 for the methodology of project review and a list of projects in the in-depth analysis.

2. *The Pilot Phase and Beyond*, GEF Working Paper Series No. I, Annex III, May 1992.

3. This review is based on a variety of sources: questionnaires and interviews, reports of country visits by the evaluators, in-depth file reviews, project formats, and various reviews by other evaluators, including the STAP review of the first through third tranches, McNeely's recent review for IUCN/UNEP, various NGO publications, the review by Newcombe and Richardson for the Global Biodiversity Forum, and Richard Paton's Business Review for the World Bank's Global Environment Operations Coordination Division. In general, much more and better-quality information was available on the World Bank's portfolio than on those of UNEP or UNDP; therefore, the findings may be somewhat biased by the greater abundance of information about World Bank activities.

4. Biodiversity has been defined as "the totality of genes, species and ecosystems in a region" (see *Global Biodiversity Strategy*, WRI/IUCN/UNEP, 1992). This includes not only species richness but also the variation within species and ecosystems such as areas with low species richness but highly unique ecosystems.

5. Regional approaches to conservation are often given high priority, but very few of these have worked in practice. The regional project in East Africa is perhaps the best example of one that has worked.

6. For example, 45 percent for forests, 20 percent for marine and coastal systems, 10 percent for wetlands, 10 percent for arid and semiarid areas, and 15 percent for other areas. So far, forest areas are slightly overrepresented in the portfolio, while marine and coastal systems and arid and semiarid areas are underrepresented.

7. In the first three tranches, there is a predominance of projects designed to improve the management of existing protected areas in countries unable or unwilling to provide the necessary resources without GEF support. However, the projects dealing with protected areas lack the foundation of a national protected-areas systems plan and well-managed protected-area institutions that would rationalize the forms of intervention being proposed. Projects developing appropriate economic instruments seem to be poorly represented, but this issue has received greater attention in the later tranches. Many of the projects attempted to demonstrate the sustainable management of biodiversity or con-

tained important gene pools and other important species. The projects in Turkey and Ethiopia were particularly relevant in this regard. Several projects include the development of long-term funding mechanisms, an innovation that deserves to be spread more widely through the portfolio. Very few of the projects are designed specifically to have an impact on decisionmakers, and few have incorporated the appropriate mechanism to disseminate project results more widely.

8. This does not contradict the fact that many biodiversity investment project sites are in areas which are already under some form of legal protection.

9. The Protecting Forest Biodiversity Project in Poland, for example, is pioneering new methods of genome conservation, species range studies, buffer zone systems, and other critical developments.

10. Neither the World Bank nor the UNDP has many staff who are qualified to deal with the sociological, scientific, and technical aspects of biodiversity, necessitating frequent use of outside consultants.

11. R. Mittermeier and I. Bowles, "The GEF and Biodiversity Conservation: Lessons to Date and Recommendations for Future Actions," Conservation International, May 1993.

12. The transborder project in Ukraine is an exception.

13. Bhutan, Bolivia, Brazil, Congo, Laos, Poland, Peru, Philippines, Romania, Seychelles, Slovak Republic, Uganda, and Ukraine. The only trust fund preexisting the GEF project was the Aldabra Foundation in the Seychelles.

14. Only about half of the project documents reviewed in depth refer to some form of national environmental and/or conservation strategies.

15. Global warming projects address emissions of greenhouse gases, primarily carbon dioxide (CO_2) and methane. The two primary sources of CO_2 are the combustion of fossil fuels and land-use changes (deforestation). Most methane results from agriculture and landfill activity, but approximately 20 percent is released in the production or transport of fossil fuels (coal, oil, and natural gas).

16. Several programs (including some with GEF funds) have been developed to promote developing-country participation and compliance with the Framework Convention on Climate Change; whether such efforts would be more usefully focused on the largest emitting nations is ultimately a political question as much as a scientific one. A relatively small number of countries account for the lions' share of emissions from developing countries, including Brazil, China, and India. Historically, most emissions of greenhouse gases are attributable to the developed world, but aggregate emissions from developing nations may exceed those of developed countries as early as 2025, depending on economic and population growth rates and patterns of industrialization. In one scenario prepared by the Intergovernmental Panel on Climate Change (IPCC), developing-country CO_2 emissions increase from less than 25 percent of current global emissions to close to 40 percent in 2025 (Report of the IPCC Energy and Industry Subgroup, January 1991). These estimates support the IPCC's conclusion that from a scientific standpoint the overall objective of stabilizing atmospheric emissions cannot be realized without a broad international strategy. See IPCC Scientific Assessment (1990).

17. *The Pilot Phase and Beyond*, Annex III, p. 33.

18. The *Report by the Chairman to the May 1993 Participants' Meeting*, Annex I (Participants' Comments and Agency Responses on Projects in the Fourth Tranche).

19. The AWGGWE indicated four generic interventions: end-use efficiency (35 percent); reduction of emissions intensity (30 percent); fuel shifts (10 percent); non-CO_2 reductions (15 percent); the remaining 10 percent was left to projects addressing transmission and distribution efficiency, reductions at the point of end-use, and reforestation/sequestration.

20. For example, the AWGGWE suggested the following priority areas within the end-use efficiency category: reduction of energy intensity of basic materials; efficient motors and drives; lighting, irrigation pump sets; and vehicle fuel efficiency.

21. Each greenhouse gas has a different radiative effect on the atmosphere. In order to compare relative effects, emissions of gases can be multiplied by their "global warming potential" and therefore expressed in terms of CO_2 equivalence. Global warming potentials take into account radiative forcing of gases as well as atmospheric lifetimes. See IPCC First Scientific Assessment (1990).

22. The following investment projects are examples of activities where indirect or future global benefit may be realized, but will not occur unless recommendations from the studies are actually adopted: China Sichuan Gas, Iran/Tehran Urban Transport, and Russia Gas.

23. At the project level, a currently available tool for estimating the magnitude of reductions in greenhouse gas emissions is the Greenhouse Gas Assessment Methodology (GGAM). It is designed to estimate reductions expected to result from a proposed project and compare them with emissions that would result if the project is not implemented. GGAM was not available during the pilot phase, and was not used to estimate global benefits of any project selected in the first five tranches.

24. Emissions discounting will occasionally change the relative cost effectiveness ranking of GEF projects. The changes are most significant when the timing of projected emissions reductions differs dramatically between projects. Cost effectiveness rankings will also change when projects undergo major design revision mid-stream in the project development cycle. The latter has occurred with the Poland Coal-to-Gas and India Non-Conventional Energy projects. The result of this imprecision is twofold: wide ranges for estimated benefits and an inadequate basis for comparing the relative worth of projects.

25. As often as not, any measure of carbon emissions avoided will depend on subprojects, as illustrated by the following projects: Mali Household Energy, Jamaica DSM, Poland Coal-to-Gas Conversion, and Côte d'Ivoire Agricultural Residue.

26. Framework Convention, Article 4, para. 3.

27. Technical review panels have made similar suggestions. Discussion on the Poland Coal-to-Gas Conversion Project, for instance, considered whether GEF money should always be passed on to the ultimate beneficiaries on pure grant terms, or whether softening of interest rate terms might be a more effective use of GEF resources.

28. *The Pilot Phase and Beyond*, p. 17.

29. As illustrated by the following examples: Mauritius Bagasse Energy, Nigeria Gas Flaring, Pakistan Waste-to-Energy, and Poland Coal-to-Gas Conversion.

30. Philippines Geothermal Power. See p. 3 of April 1992 PNOC Environmental Impact Statement and pp. 6, 21, 23, 43 of the May 1993 Final Environmental Impact Statement.

31. Sudan Rangeland Rehabilitation and Mauritania Wind Electric Power.

32. Brazil Biomass.

33. Mali Cookstoves and Benin Management of Woody Savanna.

34. International NGO consultants were called to assist in developing the Mexico High-Efficiency Lighting, Thailand Promotion of Electric Energy Efficiency, Zimbabwe Photovoltaics for Households and Community Use Projects, India Alternate Energy, Mauritius Sugar Producers Association, and Brazil Biomass.

35. Such as in the case of the Jamaica Demand-Side Management Demonstration and Nigeria Escravos Flared Gas Reduction Projects.

36. As compared to the other focal areas, global warming interventions (and more so World Bank investments than UNDP technical assistance) may be more sustainable on the project level because reductions flow simply as a result of successful implementation (for example, the building of geothermal resources or the conversion of a coal boiler to gas).

37. See *Report by the Chairman to the May 1991 Participants' Meeting*, p. 4.

38. GEF cofinancing has been pledged by Australia, Belgium, Canada, Japan, Norway, Switzerland, and the United States. See Chapters 3 and 9 for status of cofinancing.

39. There is some evidence however, that cofinancing influenced project development in the following two instances: Non-Conventional Energy in India and Regional Technical Assistance in Asia for Reduction Plans.

40. Seychelles Biodiversity Protection and Abatement of Marine Pollution (World Bank, Second Tranche, US$1.8 million); Jordan Management of Azraq and Dana Protected Areas (UNDP, Third Tranche, US$6.3 million); and Romania/Ukraine Danube Delta Biodiversity (World Bank, Third Tranche, US$6 million). Two projects from the US-Parallel GEF portfolio also indicate international waters protection as their focal area, in conjunction with biodiversity. In addition, there are a number of other projects in the "biodiversity" portfolio that could be also considered as contributing to the protection of international waters.

41. A regional project including Burundi, Tanzania, Zambia, and Zaire.

42. International waters are "broadly defined as the seas, shared river and lake basins, shared estuaries and wetlands, and shared groundwater aquifers. The distinguishing feature is that more than one nation has access to or makes use of the waters." (*The Pilot Phase and Beyond*, pp. 38–39.)

43. The review of the last draft of the "Analytical Frameworks for Global Warming, Biodiversity and International Waters" was on the agenda of the September 1993 meeting of the STAP.

44. *The State of the Marine Environment*, GESMAP Rep. Stud. No. 115, UNEP, 1990, pp. 1–3 and Technical Annexes.

45. STAP, Minutes of the first meeting, April 1991.

46. According to the minutes of the February 1992 STAP meeting.

47. It can be argued that although the participants support the control of pollution from land-based sources, it has never been their intention that GEF funds be used to mitigate point-source land-based pollutants, to which the 'polluter pays' principle must be applied. Nevertheless, the few projects dealing with control of pollution from land-based sources (that is Gulf of Guinea, Black Sea) mainly focus on technological solutions for point sources, rather than on non-technological solutions for non-point sources (that is agrochemicals) which in most cases are the predominant contributors to the pollution load of international waters.

48. For instance, in the case of the China Ship Waste Disposal project the justification for GEF funding, almost half of the project, is based on the highly questionable statement that about half of the wastes to be received and treated at Chinese ports under the project would have been disposed in international waters.

49. For example, most of the benefits from the regional project in the Gulf of Guinea will be in the form of reduced pollution in the coastal waters, though undoubtedly international waters will also have some benefit from it.

50. (See Box 5.3.) In view of the innovative character and the potential management value of the large marine ecosystem concept, it is recommended that a specific project should be designed and supported by GEF in order to test the concept prior to its wider application in GEF funded projects.

51. Eastern Caribbean, Environment and Coastal Resource Management Project (ENCORE), USAID-GEF Parallel.

52. STAP, Minutes of the third meeting, September 1991.

53. "Regional treaties, together with the global agreements, should be considered as the most suitable legal framework within which GEF projects should be considered" (STAP: "International Waters: An Analytical Framework," para. 4.4.6., May 1993).

54. "Second Meeting of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer," London, June 1990, pp. 27-29.

55. Categorization is temporary pending receipt of complete split data. "Status of Ratification/Accession/ Acceptance/

Approval of: (a) The Vienna Convention for the Protection of the Ozone Layer (1985); (b) The Montreal Protocol on Substances that Deplete the Ozone Layer (1987); (c) The London Amendment to the Montreal Protocol (1990); and (d) The Copenhagen Amendment to the Montreal Protocol (1992)," UNEP, Status of Ratification, August 1993, 28th Issue.

56. Report by the Chairman, "STAP Criteria and Priorities," December 1991, p. 8.

57. In addition, the countries and projects have to satisfy the requirements for MFMP eligibility.

58. Wood, A., 1993, "The Interim Multilateral Fund for the Implementation of the Montreal Protocol," in *The Global Environment Facility: Sharing Responsibilities for the Biosphere*, Volume 2, Reed, D. (ed.), (World Wide Fund for Nature, Washington, D.C.), p. 103.

59. The CSFR's 1991 consumption of controlled ODS has been estimated at 3,934 metric tons (equivalent to 3,759 tons weighted by ozone depleting potential), a per capita consumption of 0.22 kg per capita.

60. A facsimile communication between Mr. El-Arini, Chief Officer of the Interim Multilateral Fund for the Montreal Protocol, to Mr. Wright, Deputy Director Coordinator of GEF/UNDP, explains that this project does not qualify for IMFMP funding.

61. *The Pilot Phase and Beyond*, Annex III, p. 42.

62. R. Mittermeier and I. Bowles, "The GEF and Biodiversity Conservation: Lessons to Date and Recommendations for Future Action," Conservation International, May 1993.

63. Bhutan, Bolivia, Brazil, Congo, Laos, Peru, Philippines, Poland, Romania, Seychelles, Slovak Republic, Uganda, and Ukraine.

64. Review by K. Newcombe and K. Richardson for the Global Biodiversity Forum, Oct. 1993.

65. G. Hansen, "Innovative Development Approaches—Terms of Endowment: A New AID Approach to Institutional Development," No. 3, December 1990.

66. GEF Green Band Project Document on "Congo Wildlands Protection and Management," March 1993; *Report by the Chairman to the December 1991 Participants' Meeting*: Part Two, Second Tranche, Dec. 1991 (refer to the Peru Biodiversity Project Brief, p. 159).

67. GEF Green Band Project Document for "Bhutan Trust Fund for Environment Conservation," May 1992.

6. The GEF Small Grants Programme

Summary

The GEF Small Grants Programme, currently funded at US$10 million, has been well received in the developing countries. Administered by UNDP, the program is attempting to test small-scale activities and approaches that could help alleviate global level environmental concerns if replicated successfully on a larger scale over time. Heavy emphasis is placed on decentralized decisionmaking, leading to more community-level responsibility and increased NGO involvement. Additional guidance is needed on drafting national-level SGP strategies and to ensure that technical expertise is available not just at the proposal preparation and review stage but throughout activity implementation. A monitoring mechanism should be installed to disseminate lessons learned throughout the GEF information system for use in other GEF initiatives.

Introduction

The SGP was created in May 1991 when the GEF participants' assembly approved a US$5 million grant designed to test and demonstrate small-scale projects, strategies, and processes by NGOs and community groups as a means of identifying approaches that could alleviate problems affecting the global environment if replicated successfully on a larger scale over time.

Because of the nature and scale of NGO activities, it was anticipated that most projects funded will be aimed at reducing greenhouse gas emissions, protecting biodiversity, and reducing water pollution. Grants under the SGP were not to exceed US$50,000 per project, although proposals for regional and subregional activities up to US$250,000 would be eligible for financing.

Responsibility for managing the SGP within the GEF was assigned to UNDP because of its "unique qualifications among the GEF partner agencies and relevant NGO networks to implement a programme of this kind."[1] UNDP decided to fix the number of developing countries invited to participate in the first phase of the SGP at 36, since this "seemed to be a large enough number to provide a basis for evaluating and learning from small-scale approaches."[2] (See Annex 6 for a list of first-phase countries.)

Start-up and Current Composition of the SGP

The SGP was expected to begin operating by the end of 1991[3] but ran into delays. Consultations with the NGO community on the design of the new program took longer than anticipated, as did the recruitment of nationals with NGO backgrounds to carry out the exploratory missions.

Another delaying factor was the uneven quality of the analysis and recommendations furnished by the 32 missions recruited to explore SGP possibilities in candidate countries between October 1991 and March 1993. Some of the consultants had only a sketchy understanding of the context in which they were to carry out the SGP assessment, others were unfamiliar with the UNDP project development system and several spent fewer than three days in candidate countries.

A UNDP Project Document was finally approved for the SGP in June 1992, which indicated that UNDP's Office of Project Services (OPS) would be the executing agency for the SGP. The pace of program implementation picked up, and by December 1992, program level grants, totaling US$2.9 million, had been funded in 12 countries.

The GEF participants authorized additional SGP funding in late 1992 and May 1993, bringing the total funding available to the SGP to US$10 million. As of September 1993, US$5.7 million of this total had been committed to 24 countries. Approximately US$1.7 million has been obligated for the 76 activities approved to date by the National Selection Committees in these countries.

According to UNDP reports, about 44 percent of the approved activities seek to conserve biodiversity—35 percent are forestry projects addressing both global warming and biodiversity, 12 percent seek to reduce global warming, and 6 percent are focused on coastal resource management. A few activities, mainly community awareness activities, are concerned with conservation in general, and a small number focus on ozone related issues.

Box 6.1: Three Small Grants Projects

In Jordan, the Jordanian Society for the Prevention of Road Accidents has received a grant of US$50,000 to monitor air pollution in selected areas of Amman. The project is part of a national campaign to increase public awareness of atmospheric damage from greenhouse gases and to promote increased use of public transportation.

In the Philippines, a grant of US$16,345 has been awarded to the Philippine Institute of Alternative Futures for the establishment of a Living Museum of Philippine Medical Plants in Quezon City, a gene bank to conserve indigenous medicinal plants and conduct related educational activities. Thirty rare indigenous medicinal plants have been identified for conservation by the living museum.

In Ghana, the National Refrigeration Airconditioning Workshop Owners Association (NARWOA), an association of 7,000 refrigeration and air-conditioning repair shop owners and technicians, has been awarded US$9,102 for a series of members' workshops on threats from ozone depleting substances and how to reduce ODS in the Ghana refrigeration industry. The workshops will cover the harmful effects of ODS, the Montreal Protocol, plans to phase out ODS in Ghana, good practices in handling ODS, and ozone-friendly refrigerant substitutes.

Assessment Analysis of the SGP

The SGP has been very well received in developing countries.[4] In discussions with the evaluators, NGO representatives in several countries referred to the SGP as a model for government and NGO collaboration in its effort to share decisionmaking and provide access to smaller

NGOs and people's organizations—an access not readily available under the larger GEF program. As of September 1993, 28 countries, over and above the first-phase countries, had asked to be included in the SGP. Official host government involvement in the SGP tends to be minimal. After approving the locally configured SGP concept, governments are invited to designate a ministry representative to participate in the work of the in-country SGP. But it is a National Selection Committee working closely with a National SGP Coordinator in carrying out a national SGP implementation strategy that drives the local grants program.

National Selection Committees. The majority of members on the first-generation SGP National Selection Committees has generally been drawn from the local NGO community and usuallv from the better-known and larger NGOs that have their base of operations in the capital cities.[5] The credentials of these committee members have been generally excellent, but a greater effort is needed to ensure that more representatives of community-based and people's organizations (for example, trade unions, youth clubs) are recruited to serve on the SGP committees and that the committees are gender balanced. With these adjustments, the national committees will be in a better position to ferret out and endorse the kinds of activities that are needed to secure community-level interest and involvement.

Early SGP experience also points to the need for better thought-out procedures to preclude committee members from securing "inside-track" positions during the grant submission or approval process. Tensions have arisen in some countries where NGOs with representatives on the Selection Committee have received first-round awards. More transparent procedures need to be developed with the assistance of UNDP Headquarters for both the selection of national committee members and the awarding of grants to avoid conflict of interest. At a minimum, proposals should not be accepted from any organizations with ties to the Committee Chair.

National Coordinators. The National Coordinators in the countries visited by the evaluators have been, without exception, well qualified for the positions they hold. Where settling-in difficulties have arisen, usually it has been because of circumstances beyond their control. There is a risk, however, that these Coordinators, who normally have had experience with small grants programs, will fall into a business-as-usual pattern unless they—as well as the National Selection Committee members—come to appreciate the unique imperatives of the SGP.

The SGP Coordinators must be encouraged and given the resources (conceptual and material) to generate a portfolio of activities that truly addresses SGP concerns (see below). Without such a proactive approach, entailing coordinator involvement at the project formulation stage, the SGP will gradually become indistinguishable from other small grants programs.

National implementing strategies. Program substance for the SGP has been drawn largely from GEF documents without much additional guidance on their applicability to small grants. National implementing strategies,[6] cast in very general terms, have been hastily approved in an effort to get on with project processing and show tangible results.

Many of the projects approved under the "new" SGP criteria tend to be similar to activities approved over the years under the "old" natural resource and environmental rubric. Of course, underwriting generic rural conservation projects is not without merit, but after a while, people will begin to wonder why a new small grants program, with its additional overhead, is needed, if desired results can be obtained through existing mechanisms and organizations.

The SGP needs to establish its niche among the various small grants programs. A strategy has to be developed, first at the UNDP Headquarters level and then adjusted by each recipient country, that lays out clearly:

- The distinctive objectives and features of the SGP initiative that set it apart from other small grants programs;
- The need to integrate country-level SGP strategies into national environmental frameworks to ensure local relevance and priority;
- The kinds of SGP initiatives and projects that stand the best chance of contributing to GEF objectives while addressing national priorities; and
- A list of indicators or benchmarks that can be used in assessing the effectiveness of projects in relation to GEF objectives.

The aim, of course, is *not* to ensure that the preservation of the global commons becomes the motivating factor behind each proposal for SGP funds submitted by small communities in Ghana or Costa Rica. The intention simply is to make sure that somewhere in the SGP resource allocation process sufficient thought is given to the kinds of strategies and activities that are most likely to contribute to the ultimate fulfillment of the distinctive GEF mandate.

More thought should be given to how SGP funding can be used in conjunction with regular GEF funding at the country level in addressing GEF priorities. Considerable difficulty has been experienced in some of the larger GEF projects in devising systematic methods for involving affected populations in the formulation as well as the implementation of the activity. Could the SGP help design some activities aimed at facilitating local participation, on a structured basis, in these larger GEF projects?

Finally, unless a higher premium is placed on *innovation* throughout the SGP review and approval process, some of the most effective and cost-savings approaches for galvanizing community energies in keeping with SGP goals are likely to remain unexplored. Innovation was listed as a criterion for project eligibility in early SGP guidance but has been dropped in the most recent version. It should be restored.

Decentralization. The UNDP Project Document indicates that SGP implementation will be largely decentralized and funding decisions taken at the local level will not be referred to UNDP Headquarters for approval. During the first year of operation, however, UNDP Headquarters held back on project fund transfers to field offices until it had a chance to review and comment on activity proposals. This led to complaints from field offices and National Coordinators, particularly during absences of key Headquarters staff on mission travel, about "protracted bureaucratic delays."

Although Headquarters staff probably remained three or four months too long in the review and approval mode, their hands-on approach for the early phase was warranted, in the opinion of the evaluators. A degree of intensive effort at the center is usually required before decentralized initiatives can be set in motion.

As of June 1993, the UNDP/OPS has been making fund transfers to field offices on the basis of the receipt and review of the national implementation strategy, and complaints from the field about the lack of trust at UNDP Headquarters have subsided. This does not mean, however, that the decentralization campaign has been won. Now that the SGP has been fully launched, there is a need to consolidate the SGP decentralization *methodology*—for the benefit of other small grants programs as well as the SGP.

Methodology consolidation will require action on several fronts. First, the responsibilities of the SGP Technical Coordinator need to be drawn more clearly with emphasis on: (a) helping to generate the conceptual strategy for the SGP and disseminate it through guidance material, workshops, newsletters, and selected country visits; (b) assisting field offices and National Coordinators build into SGP country-level activities the mechanisms that will permit routine extraction of material from lessons learned (for example, how to work effectively through community and intermediary-level NGOs) for use in adjusting SGP strategic approaches and providing insights to other small grants programs; and (c) assisting the UNDP/GEF Executive Coordinator in carrying out GEF oversight responsibilities for the SGP.

Second, the SGP Technical Coordinator needs to devise a workplan for mainstreaming routine SGP monitoring or backstopping responsibilities within UNDP Headquarters. The Coordinator should assist Area Officers as they try to fulfill these new responsibilities and interact with the SGP executing agency.

Third, the role of UNDP field offices needs renewed highlighting, in keeping with the SGP Project Document that directs the field offices to be mainly responsible for program implementation at the country level. The emphasis should shift over the next year from responsibility for operational involvement to monitoring as UNDP field offices transfer management responsibility to the National Coordinators and Selection Committees.

Field offices will have to ensure during the pilot phase that SGP project personnel have access to technical expertise. There are those who believe that inadequate attention to the technical requirements of projects could eventually prove to be the Achilles' heel of the SGP. Field offices can play a critical role in promoting SGP sustainability by working with National Coordinators in identifying appropriate sources of needed expertise and helping to ensure that technical insights are available not just at the project proposal stage but throughout the course of activity implementation.[7]

Finally, the SGP could become an ideal vehicle for demonstrating the benefits and cost-effectiveness that can be derived from going the national execution route—using a non-governmental thrust. This model of program implementation should be taken by UNDP as an explicit goal of the SGP, with a workplan and timetable drawn up to guide the efforts of all who will be involved in the devolution process.

One full-time professional staff member, the Technical Coordinator, manages the SGP initiative at UNDP Headquarters in collaboration with the Senior Adviser for the SGP, who spends one-third of her time on this activity, and a program officer at the OPS, who has similar responsibilities for four other UNDP small grants programs. Both the Senior Adviser and the Technical Coordinator are attached to the NGO Program at UNDP.

Over the past two years, UNDP has managed the SGP within the context of the unfolding GEF program—with special sessions convened on SGP issues as they arose. Recently, the UNDP/GEF Coordinator decided to take a more structured approach to monitoring SGP progress by holding regular meetings with the three professionals directly involved in the SGP. The evaluators underscore the importance of regular monitoring and urge that agendas be prepared for these meetings as well as follow-up minutes.

In addition to tracking SGP progress in strategy formulation, mainstreaming, and decentralization, there is a need to work out standardized SGP procedures in such areas as avoiding conflict of interest situations, compensating and reimbursing National Selection Committee members, and providing vehicles for National Coordinators.

Special attention needs to be given to SGP overhead costs, which have been relatively high even when allowance is made for one-time start-up costs. Recently, UNDP made an accounting adjustment by listing funding requirements for the National Coordinators (including salaries, office space, and transportation) under program rather than administrative costs. This has reduced the administrative costs profile for 1993 to US$672,000 or 13 percent of the overall program costs.[8] These Headquarters-related costs should diminish over the next few years as the decentralization strategy takes effect.

The UNDP/OPS financial reporting system used for the SGP is unable to produce program or project information in a timely or reader-friendly fashion. A more responsive system should be developed using existing machinery as soon as possible.

Provisions were included in SGP planning documents for the financing of regional and interregional SGP projects. The evaluators recommend that the design and launching of such activities be deferred to the next phase of the GEF initiative. The SGP "to do" list is demanding enough as it is (see above) without adding to it.

Finally, more attention should be given to the need for systematically capturing and disseminating lessons from the SGP throughout the GEF information system. With its emphasis on decentralization, risk-taking, and local involvement, the SGP can provide critically needed insights for other GEF sponsored initiatives.

Principal Recommendations

The UNDP/GEF should:

(a) Develop an *SGP implementation strategy* by the first quarter of 1994 that establishes the complementarity between national development priorities and global environmental concerns; provides guidance on the kinds of small grants activities that are most likely to contribute to the alleviation of global environmental degradation while enhancing local economic growth and eliminating poverty; and lists a series of indicators that will be used to assess the effectiveness of SGP projects in contributing to GEF objectives;

(b) During the first quarter of 1994, invite the National Coordinators, one member of the National Selection Committee, and the Focal Point Officer in the UNDP field office to specially convened *regional workshops* to facilitate internalization of the newly drafted SGP implementation strategy and underscore the critical importance of innovation under the SGP initiative. In the future, similar workshops should be convened to assist in the assessment of SGP program progress and impact in each region;

(c) In a special communication to field offices during first quarter of 1994, urge Focal Point Officers to determine whether adequate *technical expertise* is available to assist in the implementation of SGP projects already approved and take remedial steps wherever necessary;

(d) Recognize the opportunity presented by the SGP to formulate and experiment with *decentralization methodologies* that can culminate in nationally executed grant programs featuring local control, sound project design and monitoring, and financial accountability; and

(e) Establish a mechanism for systematically capturing and disseminating lessons from field experience with GEF small grants activities.

Endnotes

1. UNDP Project Document on the SGP, June 1992, p. 5.

2. See "SGP Progress Report No. 2," April 1993, p. 6 for the factors taken into account in selecting candidate countries.

3. See the GEF *Quarterly Bulletin*, Number I, September 1991.

4. The current assessment of the SGP was initiated in May 1993 in conjunction with the overall evaluation of the GEF program. The emphasis under the SGP assessment has been on program or project development processes rather activity outcome or impact because many of SGP-funded activities are only now entering the implementation stage. In addition to reviewing documents and interviewing officials in UNDP Headquarters, the evaluators visited eight SGP recipient countries: Belize, Botswana, Costa Rica, Egypt, Ghana, Kenya, the Philippines, and Zimbabwe. The evaluators met with community, NGO, and government representatives and visited several early implementation SGP activities.

5. In the case of Botswana, a majority of the first Committee members were not indigenous—a situation being adjusted at the urging of UNDP Headquarters.

6. The notion of the "National SGP Implementing Strategy" is not mentioned in the UNDP Project Document.

7. Experience from early SGP activities indicates that efforts to build into projects the provision of technical expertise—on a voluntary, unpaid basis—usually do not work out.

8. The administrative costs figure for 1993 is based on a projected program delivery of US$5 million. The breakdown of administrative costs for the year is US$360,000 for OPS support costs; US$237,000 for UNDP Headquarters staff; and US$75,000 for staff travel.

7. The GEF and National Development

Introduction

This part of the report examines the relationship between the GEF and the developing countries, particularly the interface between national environmental and developmental priorities, and the concern for the global environment that the GEF seeks to address. Most existing national environmental strategies and plans understandably focus on issues concerning national priorities. The main issue to be examined here is the interest of the developing countries in broadening their national strategies by incorporating into them the objectives of the GEF.

Developing Countries' Perspectives

At the time of the Beijing meeting of participants in May 1993, 42 developing countries were represented. Thirty-three of them are recipients of GET funds (29 with country projects—55 percent of total GET funding—and four with only regional projects). In addition, 64 non-participant countries are recipients (34 with country projects—23 percent of GET funds—and 30 with only regional projects).[1]

Although it is not possible to sum up the varying perspectives of developing countries without oversimplification, the evaluators have attempted to explore developing-country views on the GEF during field visits, through questionnaires, contacts with developing countries' officials and NGOs, document research, and other channels. During their field visits, the evaluators often discovered a low level of awareness of GEF's existence sometimes on the part of individuals and groups that should have been better informed.

Some of the replies to questionnaires turned out to be unrevealing, often couched in diplomatic language, saying in effect that the GEF was indeed a useful device for the global environment. Others were more critical of the GEF and its management. Generally, the replies to the questionnaire indicated that government structures dealing with national environmental problems are inadequately informed about and insufficiently involved in the GEF. This reflects the fact that the GEF, on the level of national governments, is predominantly handled by ministries of finance and treasuries rather than environmental ministries.

The evaluators were present at the Beijing meeting of the participants in May 1993 where the NGOs raised a number of questions about the contents and management of a number of GEF-supported projects. They also attended a meeting in Washington, D.C., that took place in early September 1993 between the Independent Panel of Experts and a group of NGOs, including developing country NGOs, where the latter aired some very strong criticisms of the GEF. The evaluators also attended the recent September 1993 participants meeting in Washington, D.C., and observed the variance in outlooks on restructuring the GEF that emerged between the OECD caucus of the developed countries and the Group of 77 which represented the developing countries. Though the focus was on governance issues, it was clear that the two groups did not share the same perspective on the Facility. The various analyses prepared by the NGO community on the GEF as a whole and on specific GEF projects were an additional source of evaluators' information on the critical position of developing countries toward the GEF.[2]

Support for the GEF

Although the initiative for establishing the GEF came from the developed countries, several developing countries also supported the initiative. Many of the developing countries were reluctant to join the Facility at the beginning. There was an "entrance fee" barrier for participation, which was not removed until late 1992. There was also the belief that global priorities, as defined by the developed countries, were less pressing for developing countries than their own environmental and development priorities. But as time went by, and perhaps as a result of the GEF decisions to distribute GEF projects geographically and thematically, developing countries increasingly became participants in the GEF. Since the June 1992 UNCED, GEF membership has greatly expanded.[3]

Developed Countries' Stance

To appreciate developing-country perspectives, it is useful at the outset to compare them with the perceptions of the donor countries. The developed countries intended the GEF focus on activities in developing countries that would benefit the global environment; the resources of the GEF would be additional to conventional aid flows. Aware that developing countries did not all have adequate "national environmental action plans" or their equivalent, which would enhance the effectiveness of GEF interventions, and that the preparation of such plans would take time, it was clear that GEF funding should proceed without them if they did not exist.

This decision on the part of the GEF, which was intended to speed up GEF project processing, was not consistent with the time-tested approach of the development agencies, of placing the projects they finance within a favorable institutional and policy framework. This framework, in this case, should be provided by an adequate environmental action plan to serve as a basis on which to build activities that would create global benefits.

Developing Countries' Concerns

The Environment and Industrialization

Developing countries have tended to be wary of the richer countries preaching to them on environmental issues. They have shown awareness of the history of domestic and global environmental destruction, including the events during the colonial age when many countries suffered from the detrimental exploitation of their natural resources by the colonial powers. Some among them believe that, now that their turn has come to industrialize, hurdles are being put in their path on the pretext of environmental protection. A number of developing countries have viewed the concern expressed by outsiders over their domestic environments as intrusion in their internal affairs, and the attention to their national environmental assets that affect the global environment as trespassing on their sovereignty. The gradual movement toward universal participation in GEF activities and in the conventions dealing with the protection of the global environment, however, shows that some of the earlier suspicion has subsided. But it would be naive to imagine that the concerns summarized above and elaborated immediately below have totally vanished.

Clearly the developing countries' perspective on the GEF is mixed. However, increasing participation attests to a generally positive outlook on the Facility. They realize that the GEF is at present, and probably will remain in the near future, the main financial mechanism providing substantial funding for environmental problems, additional to existing bilateral and multilateral development assistance programs. On the other hand, there are negative views that need to be identified, assessed, and informatively debated. The negative views of the GEF appear to center on the following issues.

First, the association, indeed apparent dominance, in the GEF of the World Bank has attracted criticisms on various grounds. It is viewed as an instrument of conditionality imposed on the weaker countries by the strong. The fact that the major contributors to the GEF tend to favor a strong World Bank role in the GEF seems to raise the specter of conditionality, which the GEF has attempted to avoid in order to enlist the support of the developing countries. Also the NGOs, when claiming to represent developing-country views (which do not always coincide with the views of their governments), have been particularly vocal in criticizing the World Bank's insufficient concern for local views in GEF projects.

Second, there is the claim that the environmental focal areas that define the GEF agenda represent the priorities of the donors and are not necessarily the priorities of the developing countries, which need to focus on their own national environment and development issues, including poverty alleviation and population growth abatement. Being chronically short of human and financial resources needed to address their urgent concerns, scarce resources are being diverted, it is claimed, to address lower-priority issues favored by the donors.[4]

Third, some developing countries question the GEF principle to fund the "incremental costs" of the projects, and to exclude from funding the costs related to the national benefits that may accrue from the projects. Aside from difficulties encountered in determining the incremental costs in an objective way for all types of projects, it is frequently claimed that in the case of projects low on national priorities, the total costs of the projects should be considered as incremental costs, because without the GEF support such projects would not be undertaken at all.

Fourth, though GEF resources should be properly confined to activities undertaken in developing countries, by adopting policies and life styles that would decrease the pressure on environmental resources, the developed countries could convincingly demonstrate their genuine concern for the global environment.

Fifth, local communities and grassroots groups have been insufficiently involved in the design of GEF interventions.

Environment, Development, and National Strategies

Many learned tracts have been written during the past decade or so supporting the argument that development that is divorced from efforts to maintain the natural environment is illusory because it cannot be sustained. In the long term, it is not economically sound to cut down and sell trees that are hundreds of years old, deplete aquifers, degrade soils, and exhaust mineral resources, counting earnings from such disinvestment as income that can be seen to grow over time, giving the impression of progress. Such unsustainable "development" will inevitably come to an end. Besides, many policies and practices, including adverse economic and fiscal policies, are often at the root of environmental degradation in much of the *developing* world, and these policies need to be identified and changed, with the help of international assistance.

The GEF, drawing attention to global environmental concerns of developed countries, came to be seen by many developing countries as competing for attention with their national environmental priorities, and as addressing the global problems without sufficient regard for the global development context in which these problems would have to be solved. With a huge unfinished agenda for activities that would help their domestic environment, they now have to attend to global concerns in the framework of the GEF.

Environmental Strategies and Action Plans
Governments and development agencies have been paying increasing attention to domestic environments. The agencies have been strengthening their procedures to alleviate, through impact assessments and other means, the deleterious effects of the projects they finance. In addition, they have been attempting to integrate environmental issues in their economic analysis and policy work.

Country environmental strategies, frameworks, and studies attending to some aspect or another of the environment exist for more than 130 countries.[5] These include national submissions to the 1992 UNCED, as well as studies undertaken by governments independently or with the help of external assistance. The quality of such documents varies greatly, some being excellent, but many are partial and not up to date. Some are superficial and poorly prepared, representing only expressions of good intentions without commitment to a time-bound implementation plan. These problems are compounded in large part by short-term, isolated "single-shot" interventions by donor agencies, which result in the development of action plans without an adequate overall plan for their financing. Therefore, many GEF activities went forward without adequate attention being paid to a comprehensive national environmental plan being in place. The evidence is clear that many GEF projects might have benefited from a coherent program and the requisite institutions and policy framework that are the hallmarks of a good environmental action plan.

All three of the implementing agencies were actively pursuing the formulation of national environmental strategies and assisted the developing countries in developing such strategies. With the assistance of the World Bank, national environment action plans (NEAPs) were completed by 16 IDA-eligible countries and are under preparation in virtually all other IDA borrowers.[6] UNEP as a follow-up to the global strategy endorsed by its Governing Council also assisted a number of countries to develop their environmental strategies and to incorporate them into their national development plans.[7] In the case of more than 140 countries participating in various regional and global conventions for which UNEP is the secretariat, UNEP assisted the countries to reflect properly in their national strategies and plans issues of regional and global concern. UNDP has been supporting the preparation of NEAPs in a number of countries, particularly in Africa, through complementary capacity-building measures (Capacity 21); the agency has taken the lead role in preparing the plan for the Seychelles. The planning process rather than the planning documents have increasingly become the focus of UNDP's assistance.

The existence of a well-formulated environmental strategy or action plan that addresses and sufficiently integrates the local environment in development strategy would be a boon for GEF operations, which could then build on an existing structure. If an action plan adequately addresses the national environment, then one could graft a GEF operation into it with some degree of certainty that global benefits would be created over and above the domestic benefits. As it is, however, so much remains to be done in repairing, maintaining, and upgrading the domestic environment, that the attention to the global environment may be regarded as premature and of low priority in the eyes of the developing world. With this in mind, it is easy to see how the benefits of domestic development that are not consistent with a sustainable environment cannot be split into developmental and environmental parts, nor the latter into local and global components as seems to have been envisaged by the founders of the GEF.

Global Dimensions of National Strategies
Even when national environmental strategies exist, they have tended to lack the global dimension. Such a dimension was envisaged in the Enabling Memorandum at least for the "larger countries," which were expected to develop not only national strategies for the local environment, but also global ones in each of the focal areas of the GEF. The wording on this issue is clear: ideally "countries will need to have...a policy, regulatory, and institutional framework relating to CFCs, greenhouse gases, biodiversity, marine pollution, or fresh water management" although GEF intervention could proceed, presumably temporarily, without them. Although a survey would be required to provide a definite answer, it would appear that only a few national strategies explicitly address global concerns, even where the national commitments already exist as, for instance, in the framework of the Permanent Interstate Committee for Drought Control in the Sahel. The effort to expand comprehensive national environmental strategies in developing countries to include global interests has only begun.

In-country Coordination
The work on national frameworks and GEF interventions calls for in-country coordination of GEF operations. It was foreseen in the Tripartite Agreement that UNDP Resident Representatives would "play *a key role in coordinating* activities at the country level and in ensuring that the programs being undertaken by the GEF are complementary with other development activities." For several reasons, UNDP Resident Representatives have not been able to fulfill this expectation. For one thing, the wording in the agreement was unrealistic in practice. Expecting UNDP to "ensure" activity complementarity at the field level was unreasonable. Such an arrangement would have meant that the World Bank would be willing to make substantive adjustments in their project portfolios at the behest of UNDP—an unlikely occurrence. In general, the evaluators found a lack of awareness on the part of the international agencies about the need for effective coordination on GEF-related issues.

The most serious flaw in the interagency coordination strategy, however, was the GEF failure to recognize that responsibility for in-country coordination must reside, in the first instance, with the government. Coordination will be effective only to the extent that the government is knowledgeable about, interested in, and has a stake in a particular program. Where this is the case, an international agency—like UNDP—can play an important role in assisting the government to upgrade its analytical, negotiating, and coordinating capabilities so that, over time, there will be a complementarity of activities within a given sector or subsector. UNDP has assisted countries in strengthening their capacity for coordination prior to the coming of the GEF. In the process, it has been instrumental in improving donor coordination efforts without intruding on aid agency prerogatives.

For the GEF the question of in-country coordination—developing national frameworks and linking them with GEF interventions—requires reexamination and carefully developed guidance for field officers.

The Evaluators' Assessment

There was a presumption, implicit in the mandate given to the GEF by its founders, that the

GEF would build upon country environmental strategies in directions that would generate global benefits in the four focal areas. In the countries in which the GEF has operated, such strategies vary greatly in quality and comprehensiveness. Formulating effective national plans for the environment needs intensive research involving many disciplines and requires cooperation of a multiplicity of sources. The evaluators consider that support for environmental strategies with global dimensions is well within the GEF mandate in concert with national governments and the donor community. The role of the implementing agencies in this task needs to be rethought with full consideration of the developing countries' perspectives.

The planners of the GEF initiative recognized the importance of in-country coordination on GEF-related issues—a need that remains unmet three years into program implementation. The GEF should appoint and actively support a "focal point" organization, in each recipient country, with the responsibility for assisting the government in upgrading its capacity for coordinating GEF-related issues. Given its experience in the capacity strengthening area, UNDP should undertake this role as originally agreed.

Endnotes

1. Ten developing country participants received 42.3 percent of total GET funds in amounts exceeding US$10 million: Algeria, Brazil, China, India, Indonesia, Mexico, Pakistan, Philippines, Poland, and Zimbabwe.

2. Examples: (a) the paper based on the conclusions and proceedings of a meeting on the GEF convened by the South Centre in May 1993, at the request of the Group of 77; (b) D. Reed, *The Global Environment Facility: Sharing Responsibility for the Biosphere*, WWF, Washington D.C.

3. Seven developing countries attended the early discussions of the GEF in 1990. Nine developing countries were participants in December 1991, 12 in December 1992, and 49 developing countries are expected at the December 1993 participants' meeting.

4. The evaluators asked individuals from the developing countries during informal contacts why GEF resources (which on the whole are modest) seem welcome even if they are claimed to support activities that do not conform with national priorities. The answers vary. These resources are welcome for many reasons, some relating to foreign exchange scarcities; irresistibility of GEF grants, rather than the usual loans; association of the World Bank with the GEF, which "forces" country cooperation; and line ministries involved with GEF projects not being concerned with broader national priorities.

5. See WRI, IIED, IUCN-WCU, 1993 *Directory of Country Environmental Studies*.

6. World Bank *Annual Report*, 1993.

7. UNEP, *Environmental Perspective to the Year 2000 and Beyond*, 1990.

8. The Project Development Procedures for the GEF Pilot Phase

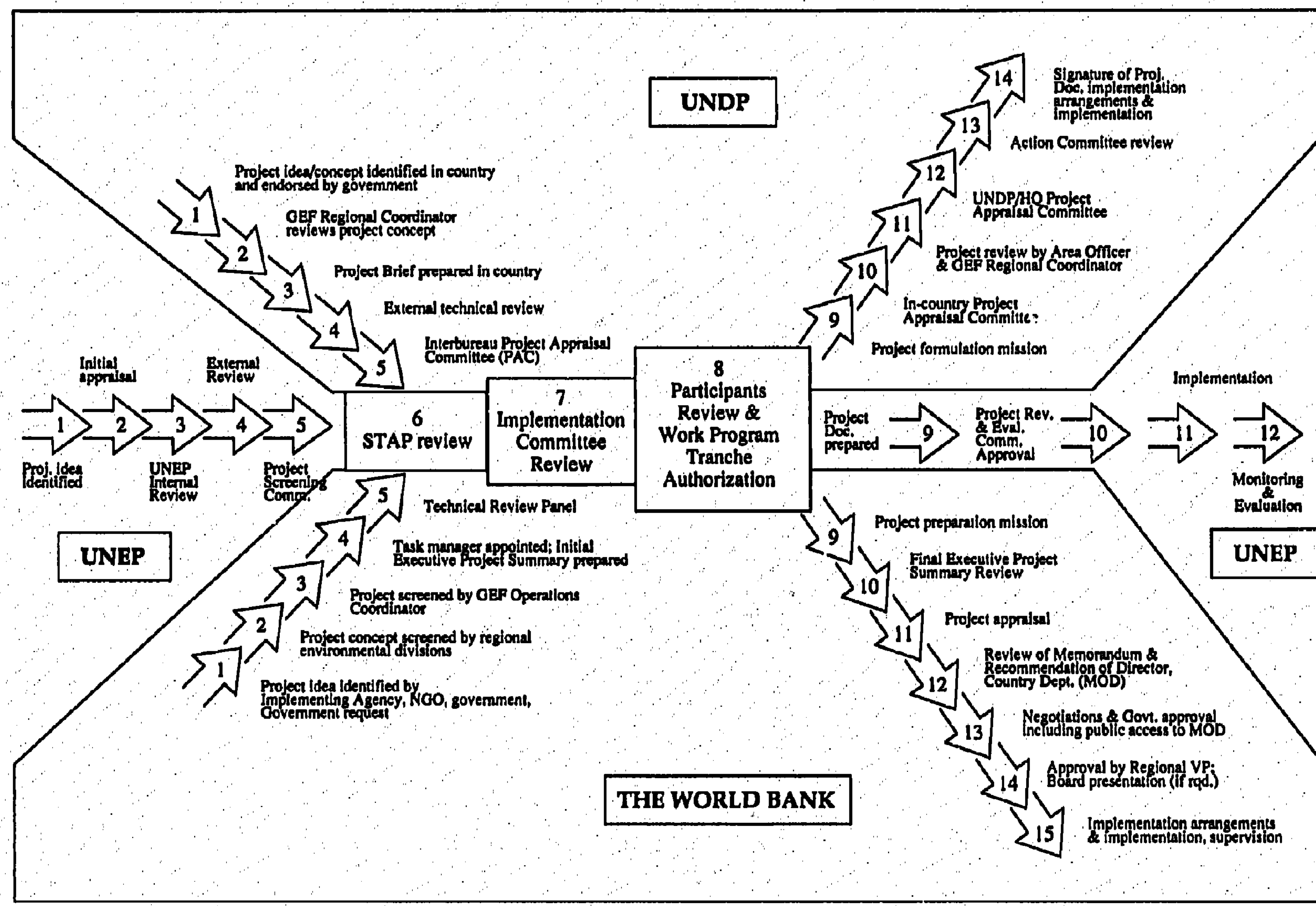
The Terms of Reference for the evaluation stressed the importance of an assessment of project development procedures—the process followed by the implementing agencies for identifying, designing, approving, and implementing GEF projects. Although it is too early to evaluate the implementation and impact of GEF projects, useful insights can be found from an assessment of the pre-implementation stages of project development.

This part of the report reviews the project development procedures as they have evolved in practice over the past two years. It examines the procedures that lead up to the authorization of the work program tranches including the identification of projects; the project review functions of STAP, the Implementation Committee, and the participants; the post-tranche processes; and it provides a summary of findings. Topics of particular interest are the pace and usefulness of the procedures, the project review measures and the quality of these reviews, transparency, and participation in the process.

Overview of the Project Development Procedures

Before examining the project development procedures as they relate to each of the implementing agencies, it may be helpful to have an overview of the procedures that have been developed for GEF projects. Figure 8.1 provides a composite picture of the GEF procedures for the three agencies. The steps outlined represent the main action and decision points, although there may be steps within each of the steps. Steps one through five leading to the STAP review are basically the same for the three agencies, although as the discussion on each agency will bring out there are some differences in style and approach. Steps six through eight for the reviews by STAP, the Implementation Committee, and the participants are unique to the GEF. During these first eight steps the GEF criteria are focused on shaping the GEF projects. After step eight the procedures are, for the most part, those already established by the agencies for their regular projects with some variations for the GEF projects. The procedures have been evolving during the pilot phase, although the pattern in Figure 8.1 remains largely as presented. The implementing agencies have made modifications as experience suggested and time permitted to improve the structure and rigor of the process. The question to consider is whether these procedures are cost-effective in ensuring quality projects that conform to the GEF criteria and objectives. Is this extended system necessary? Are the GEF review requirements too heavily concentrated at the early stages and not enough in the final phases? Do the procedures result in unacceptable delays in project development? And do these procedures dilute accountability?

FIGURE 8.1: STEPS IN GEF PROJECT DEVELOPMENT PROCEDURES FOR UNEP, UNDP, AND THE WORLD BANK



Preparing Work Program Tranches

The preparation of the five work program tranches involves project identification and the application of STAP criteria, technical reviews, STAP reviews, Implementation Committee reviews, and participant reviews and authorizations of tranches and their projects.

Project Identification

In principle, ideas for the GEF projects can be identified by any of the implementing agencies, governments, NGOs, or individuals in the private sector. A government request or endorsement, if it is not the originator's, is required at the time of identification or soon after.

However, the evaluators found it extremely difficult to pinpoint who identified a project idea and when. A distinction has to be made between the origins of the idea and the process used to identify it as a project for the GEF. In many instances, the project idea existed before the GEF began operations. In these instances, the idea or an on-going activity was not recognized as having global benefits but reflected local concerns about adverse environmental developments. In other instances, the idea was introduced to the developing country by external advisors—also before the GEF started. When the GEF resources became available, these ideas were picked up as relevant to the GEF objectives. The process for including them in the GEF may have originated with local officials and organizations once the GEF became known, but more often they were identified by an implementing agency staff member or consultant. However, it is difficult to determine which is, in fact, the case, as both local officials and implementing agency staff members have stated that they were the "originators" of a GEF project while often they were joint proposers. In addition, there are those project ideas that had no pre-GEF existence but were proposed by implementing agency staff as part of the effort to build up the GEF portfolio. Some of them were components added to regular agency projects and others were free-standing initiatives.

According to the World Bank's Task Managers (TMs), most of the projects in the World Bank's portfolio had their origins in the World Bank. These ideas were presented to the governments for support. From the evaluators' sampling of 28 projects (In-Depth Review, Annex 1b, World Bank implementing agency), the World Bank participated in identifying all of them with the exception of three: Wind Power in Costa Rica, Demand-Side Management in Jamaica, and Biodiversity Trust Fund in Bhutan. The most common ways the World Bank identifies a project are from country sectoral studies or from ongoing or implemented project recommendations. In about half of the projects, the national government participated in the identification of the idea. The NGOs and UNDP have been involved in identifying a few of the projects for the World Bank's portfolio. For the NGOs, these included Wildlands Protection and Management in Congo, Danube Delta in Romania/Ukraine, and Demand-Side Management Demonstration in Jamaica. Three projects in the sample had UNDP participation in project identification: Biodiversity Conservation in Indonesia, Non-Conventional Energy in India, and Biodiversity Trust Fund in Bhutan.

According to the UNDP Regional GEF Coordinators, about 85 percent of project concepts originated from the governments and NGOs. The rest were identified by UNDP field offices or submitted by the NGOs. (Regional concepts, particularly those related to upstream policy issues and research, tend to be identified by UNDP Headquarters or international NGOs.) However, the perception in the field about the origins of proposals is at variance with the Headquarters' view. Generally, recipient governments looked upon the GEF as just another funding source with difficult-to-internalize criteria. The major impetus for concept development is seen to have come from UNDP.

At the same time, there are a good number of GEF projects that have largely local roots such as the Ethiopia Dynamic Farmer Project, Lake Malawi Biodiversity Project, Uruguay Biodiversity in Eastern Wetlands Project, Poland Protecting Forest Biodiversity Project, and Egypt Lake Manzala Wetlands Project.

Technical Reviews of Project Concepts
Following identification, the project ideas are screened by the GEF unit in UNEP and the Regional Coordinators in UNDP and the World Bank for their suitability for inclusion in the GEF program, using the STAP criteria and guidelines. The first tranche was to be screened according to the participants' criteria developed by the World Bank GEF Coordinator for the May 2, 1991, meeting of the participants. Subsequently, the STAP criteria served as the guidelines for selection. Sometimes the NGOs were invited to advise during the screening process. After the screening, a summary document was prepared, which presented the basic features and objectives of the project.

In the *World Bank*, if the project idea is acceptable, it is sent to the appropriate Country Director by the GEF Coordinator to appoint a TM, who is responsible for preparing the IEPS. The IEPS is a short statement of the project concept; thus, the scope and depth of the review at this point is necessarily limited.

The first technical reviews are carried out by the World Bank's Technical Review Panel (TRP). It includes the TM, outside specialist(s), technical advisor(s), GEF Operations Coordinator, Regional Environmental Division Chief, and, when international treaties and conventions apply, a representative of the legal department. The World Bank has also provided opportunities for the NGO consultations on the projects proposed, which will be commented on later in this chapter.

The comments from the reviews have been taken into account in the GEF/IEPS, and most projects experienced some modifications as a consequence. However, the TMs have complained about the external reviewers. They reported that comments by outside experts at this stage were not necessarily appropriate because of the experts' lack of familiarity with the countries concerned and with the World Bank procedures for preparing projects. However, some TMs reported that the external reviewers provided them with insights into specific problems with the project concepts. None of the TMs indicated that the TRP process contributed to delays in project processing. The list of specialists from the STAP roster used for the TRPs includes only one social scientist; the rest are in the natural sciences or engineering fields. Most of them work for "northern organizations or agencies," including NGOs, government agencies, and universities.

In *UNDP*, once a project idea is approved, it becomes a Project Brief, which serves as the basis for the project's further review and clearance. Typically, briefs are drafted by consultants and reviewed and edited by the Regional Coordinators. The briefs then go to the Interbureau Project Appraisal Committee (PAC), which formally decides which projects are to be submitted by UNDP for a specific tranche. The screening by the Interbureau PAC is preceded by an external technical review. STAP receives the technical appraisal sheet along with the briefs.

According to the GEF Coordinators, their experience with external reviewers has been uneven. Some of the consultants provided detailed and insightful comments, but, until recently, too many submitted only brief and unsubstantiated viewpoints. The roster of consultants developed by STAP has not been entirely useful primarily because the degree of technical knowledge and specialization required of the consultants was not clearly defined. The roster's principal deficiency was the shortage of experts with regional and country-specific knowledge. The GEF Coordinators have had to develop their own stable of technical reviewers. As a result, there has been a discernible improvement in the technical quality of Project Briefs submitted over the past year. UNDP has also invited NGO representatives to comment on Project Briefs.

In *UNEP* projects, the technical reviews provided by external experts, specialized agencies, and scientific organizations on projects implemented by UNEP are generally of high quality. As a major contribution to the GEF project cycle, UNEP has prepared technical reviews of virtually all project proposals submitted by the World Bank and UNDP to STAP and the Implementation Committee meetings. Most of these reviews were prepared by UNEP staff, including those of the GEF unit. The quality of the reviews varied from excellent to quite superficial and irrelevant, with the majority being of good quality.

The evaluators found that the technical review process provided useful and valued contributions to project development and an important measure of quality control. They also noted that the implementing agencies have worked to improve the quality of these reviews through more structured arrangements, the use of carefully selected expertise whether on the STAP roster or not, and the requirement that these experts sign their reports. The World Bank and UNDP now require the experts to reassess their reports in light of the panel and review meetings to ensure full accountability.

Scientific and Technical Advisory Panel Project Reviews

After accommodating the results of the technical reviews, the project documents are sent to STAP for its review. Although project reviews were not part of the original Terms of Reference for STAP, they have become one of its major activities. The organization and operations of STAP are covered in Chapter 9. The main function of STAP in reviewing projects has been to determine that the projects meet the STAP criteria, contribute to the analytical frameworks for each focal area, and rank them.

According to the World Bank staff, the STAP review process has added little to project quality. Many TMs have reported that they are unaware of the STAP comments on their projects, although now they can find these comments in the Chairman's reports. UNDP Regional Coordinators have a similar view. They generally have not recognized much "value-added" insight in the STAP reviews. While confirming the need for an independent, technically competent group to ensure quality within the GEF, they tend to characterize STAP as inadequately managed, and unable to offer useful opinions in tough project issue areas (for example, institutional, policy, socioeconomic) due to the lack of expertise on the Panel.

Some of the UNDP/GEF staff have suggested that the STAP criteria are too generic in nature to serve as a basis for rejecting proposals except in the most obvious cases. The STAP guidance on global warming has been useful particularly for prioritizing proposals, but the guidance on biodiversity has been of little practical value. Until the preparation period for the fourth tranche, the basis for filtering out concepts remained somewhat intuitive. A group of UNDP Regional Coordinators told an evaluator that they "give most points" to proposals that (a) will have a truly global impact; (b) focus on resources that are truly threatened; and (c) present a viable intervention strategy.

UNEP has submitted comments (some of them based on input from external reviewers) on practically all proposals going to STAP. For the proposals originating from the World Bank, UNEP only recently has had sufficient lead time to prepare such comments. The proposals originating from UNDP were usually brought to the attention of UNEP at the same time they were try-specific knowledge. The GEF Coordinators have had to develop their own stable of technical reviewers. As a result, there has been a discernible improvement in the technical quality of Project Briefs submitted over the past year. UNDP has also invited NGO representatives to comment on Project Briefs.

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Some project ideas are considered several times by STAP. UNEP's proposal for Greenhouse Gas Abatement Country Studies was not seen as sufficiently mature at the first presentation, was endorsed at the second presentation, and was presented to STAP for the third time to secure inclusion in the GEF work program.

STAP members, responding to questions about their work, appeared generally satisfied and believed they have "given good support to the GEF pilot phase" and their "advice has been well accepted." They recognized some limitations in their specializations, expressed concern about not having enough time for project reviews, recognized the improvements in project documentation, and desired earlier contact in project preparation. One member noted that "decisionmaking and determining priorities envisaged by analytical framework for biodiversity will be the best contribution to the implementation of the biodiversity convention." Others expressed concerns about the participants' opposition to a priority for water scarcity projects. One respondent provided a useful summing up:

> As to the strategic advisory role in scientific issues, the problem that STAP began its work only *after* the GEF had already made important decisions was never entirely overcome. However, after STAP came into existence, a learning process on all sides led to a situation in which STAP, toward the end, played a significant role. In my view, it would not be correct to state generally that in practice STAP's role was central inasmuch as the agencies *at times* considered that not all relevant scientific issues were adequately covered in the expertise of STAP.

The evaluators share the view that the STAP comments have not contributed markedly to the shaping of the GEF projects. Part of the responsibility for this lies with the implementing agencies that did not take these comments seriously into account, and part with STAP where the comments were not useful. While the STAP review does delay the processing of projects, it is not, however, a major factor in the prolongation of project development. The usefulness of the STAP criteria and analytical frameworks is discussed in Chapter 5.

Implementation Committee and the Project Development Procedures

The Implementation Committee's primary responsibility during the pilot phase has been to prepare the tranches for the participants' meetings. The Implementation Committee is the mechanism established for coordinating the work of the implementing agencies at the operating level and maintaining project consistency with the overall priorities and objectives of the GEF during the pilot phase. It is composed of the GEF Operations Coordinators and staff from the three implementing agencies, the Administrator and staff, and a STAP representative. It has met 11 times between December 1990 and May 1993 at varying intervals.

The basic task of the Implementation Committee in putting together each of the tranches has been to screen the projects presented by the three implementing agencies following the reviews already described. According to the Implementation Committee minutes of its meetings, this screening examines each project's:

- Relationship to the STAP criteria and priorities and the STAP ratings;

At the same time, there are a good number of GEF projects that have largely local roots such as the Ethiopia Dynamic Farmer Project, Lake Malawi Biodiversity Project, Uruguay Biodiversity in Eastern Wetlands Project, Poland Protecting Forest Biodiversity Project, and Egypt Lake Manzala Wetlands Project.

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The main cause of the difficulties of the Implementation Committee, however, stems from a lack of clear and authoritative guidance on the ground rules for the GEF pilot phase. This deficiency, along with a preoccupation with projects rather than strategies and country programs and the absence of a full-time and independent GEF authority to interpret the participants' policies, has resulted in unproductive competition and antagonism and independent rather than cooperative endeavors. Behind these difficulties are the differences in organizational culture, style of operation, and attitudes to recipient countries (see Chapter 9 for a further discussion of the implementing agency collaboration).

The Participants' Review and Authorization of Tranches and Projects

Once the Implementation Committee has agreed on a tranche of projects, the tranche is presented to the participants for review and authorization. Projects cannot proceed to appraisal and detailed project design until the participants' authorization has been obtained. For the World Bank projects or components, the GEF Final Executive Project Summary cannot be completed and the appraisal mission undertaken. For UNDP the project formulation mission cannot be sent to the field to prepare the final project document. Similarly, UNEP cannot proceed with preparing its project document.

As each tranche has been presented, the participants have requested additional project information and have provided their own detailed comments and advice. The implementing agencies have attempted to be responsive to these questions and comments. Since the second tranche, participants' comments have been included as an annex to the Report of the Chairman. Comments are summarized and a brief description of the actions taken as a result are also included. The comments are broad in scope, covering technical issues, application of GEF criteria, institutional arrangements, local community and NGO participation, and project design. Comments on specific projects are directed to the responsible implementing agencies, which have to respond directly to the participant making the comment. Two projects have been rejected by the participants—the New World Screwworm Project and the Africa Integrated Forest Management Project.[3]

Some of the representatives of the participants have put considerable time into reviewing the Project Briefs. The GEF Coordinators in UNDP and World Bank report that they have taken these reviews seriously and provided written responses. Some of the participants' comments have been insightful. On balance, however, the GEF Coordinators from UNDP and the World Bank suggest that the value-added contribution made by the participants to the improvement of project quality has not been significant. They believe that the time and energy spent by the Coordinators in carefully composing responses could have been spent more profitably on other GEF-related responsibilities.

Because the participants meet only twice a year, there is considerable pressure on the World Bank TMs and UNDP/GEF Coordinators to complete the pre-tranche preparations and reviews in time for the upcoming meeting. However, the requirements for preparation, extensive reviews and consultations, and communications with governments for project concept approvals—not entirely within the project manager's control—may not fit the participants' time frame. If a project proposal misses the participants' meeting date, it has to wait six months for the next meeting.

Also the bunching of projects in tranches places a sudden and heavy burden on the GEF Coordinators to move ahead with the design and appraisal processes of the full tranche of projects at the same time. This is more of a problem for UNDP where the responsibility is concentrated on the Coordinators; it is dispersed among the TMs in the World Bank. A more flexible arrangement for individual project authorizations would spread out the workload.

The evaluators recognize that the participants explicitly have asked for a role in the review of projects. Although, at times, the comments made are pertinent and useful, over all, the process of the participants' review of projects is not a productive use of the participants' or project managers' time. More in-depth knowledge of the project circumstances and sustained involvement in the project development process is necessary to have an impact on project quality. At the same time, the evaluators noted the lack of the participants' attention to program strategy and policies to guide the project development processes as well as to what is being learned as the pilot phase has evolved.

Post-Tranche Project Development

Once the participants authorized a tranche of projects, the implementing agencies were able to proceed with detailed project preparations.

GEF Project Preparation: UNEP
UNEP, taking into account the comments of the participants, prepares its project document. This work is carried out by the relevant substantive program unit of UNEP, in close cooperation with UNEP/GEF unit and, if appropriate, with the originator of the proposal and the organizations that may be involved in project implementation. The format of the project document follows UNEP's Manual on Design and Approval of Projects. The project document is then considered and approved by UNEP's Project Review and Evaluation Committee (PREC), and signed on behalf of UNEP by the officer in charge of UNEP's Office of the Environment Fund and Administration. The GEF projects that are approved by the PREC are implemented either directly by a substantive UNEP program unit or by international, intergovernmental, or nongovernmental organizations under the supervision and guidance of a substantive UNEP program unit.[4]

GEF Project Appraisal: The World Bank
Standard World Bank procedures have been used for project development following the participants' authorizations. A Final Executive Project Summary is prepared, followed by a project appraisal mission. The results of these missions are recorded in a draft Memorandum and Recommendation of the Director, Country Department, and reviewed by the World Bank staff. This document is then used as the basis for negotiations with the recipient government and its approval. With the government's approval, the project is approved by the Regional Vice President unless associated with a regular World Bank project, which is submitted to the Board. It is during this time that a project takes on its full dimensions and its potential impact becomes more apparent. However, there are no formal independent reviews during this period.

The GEF Coordinator has the primary responsibility for ensuring that the GEF project, as it is designed and appraised, meets the GEF requirements and serves the objectives of protecting the global environment. The Coordinator clears the documents from the TMs as they progress to approval by the Regional Vice President.

A major concern to the evaluators in the World Bank's processing of GEF projects is the low priority managers assign to these projects owing to the projects' comparatively small size, their special criteria and procedural requirements, and emphasis on global rather than national benefits. The TMs believe that they are not adequately supported, and the TMs lack incentive to devote the substantial time required by the GEF projects.

GEF Project Formulation: UNDP

For UNDP/GEF projects, normal UNDP procedures for project formulation, review, and approval are followed: project documents are drafted, reviewed, and refined. Central to the process is the in-country Project Appraisal Committee consisting of staff from relevant government agencies, UNDP, the executing agency and (where applicable) NGOs, and chaired by the Resident Representative. The PAC reviews projects in detail, recommends revisions and/or further input and when satisfied, submits a detailed draft proposal to UNDP Headquarters. A Headquarters PAC again reviews the proposal and makes any final adjustments. The project is then presented for approval to the Action Committee (Senior Management of UNDP), chaired by the Administrator.[5]

Yet, there are some differences between the formulation of UNDP/GEF projects and UNDP/Indicative Planning Figure (IPF) projects. First, unlike the preparation of regular IPF projects, which may or may not involve UNDP Headquarters, the formulation and development of GEF projects is generally driven by the GEF Regional Coordinators. Second, the GEF appraisal is more likely to involve outside technical expertise in the Headquarters' review of the project. Third, GEF Coordinators attend the Action Committee to support the Area Officers in the presentation of the project and are often required to respond to questions because the Area Officers have had little involvement with the project up to that time.

Post-Tranche Project Development: Summing Up

The evaluators have found that the post-tranche authorization phase is critical in the development of GEF projects. Yet it is the period when project responsibility and control shifts to geographic operations managers who, it appears, do not have the "ownership" and comparable sense of priority and importance as the GEF Coordinators have during the pre-tranche authorization steps. This lack of ownership can result in delays and inadequate attention to project preparation and negotiations.

It is also during this period that the participation of the recipient country and its institutions becomes critical, building on their involvement in the project conception work. When this work has not been done adequately, as the evaluators noted in several projects, the appraisal and formulation phase has experienced serious problems of local objections and misunderstandings.

The Project Development Procedures: Assessment and Findings

In addition to the project cycle steps in the GEF pilot phase operations, there are a number of topics that the participants and others have raised about project development procedures. Some of these concerns, such as incremental costs, innovation, sustainability, economic and social factors, and relationships with national policy, are addressed in Chapter 5. Other concerns are more closely related to project development processes. Those most pertinent to the project development process include topics such as the number of steps and pace of project processing, usefulness of the steps, transparency, participation, and ownership, which are discussed here.

The Pace of the Project Development Procedures

One of the complaints about the pilot phase is the fact that so few of the projects have actually reached the implementation stage, including most projects from the first tranche. These projects had been reviewed by the participants in April 1991. Annex 4 provides the dates for different stages of the project development procedures.

The World Bank projects. Of the 14 World Bank projects included in the first tranche, only half have been approved by the World Bank management as of June 30, 1993, after more than two years. Three of them (the Kenya Tana River Project, Brazil National Conservation Unit, and Uganda Biodiversity Conservation) have not been appraised. Of the seven first tranche projects already approved, only five were under implementation, and only four had received any substantial disbursements of GEF funds (Belarus Forest Biodiversity, Bhutan Trust Fund for Environmental Conservation, China Ship Waste Disposal, and Poland Forest Biodiversity). The Bhutan Project is the only one with any major disbursement (US$7 million out of US$10 million committed). Its project activities had already been in operation for two years before it was included in the GEF portfolio. Three of the World Bank projects have received annual disbursements of 10–13 percent of their commitments, despite the fact that they all were approved more than two years ago.

The pace of project development for the second tranche has been somewhat better, perhaps reflecting some learning on the World Bank's part or less hasty preparation of the package of proposals included and the fact that work was already under way on many of them at the time of their inclusion. Of the 11 World Bank projects in the second tranche, seven have now been appraised, and four have received World Bank approval. Only two are actually under implementation, however, and only 2–3 percent of the funds committed have been disbursed, although both projects were approved more than nine months ago (Ghana Coastal Wetlands Management and India Non-Conventional Energy Projects).

Although it is still too early to judge the pace of development of the subsequent tranches, only half of the third tranche projects and two of the fourth tranche have been appraised. This reflects the fact that the World Bank had built up a work-in-process pipeline of more mature project proposals at various stages of readiness by the time these tranches were assembled.

For the World Bank, projects have taken an average of 8.5 months from the IEPS date to presentation to the participants for authorization. But in some cases, this time period has been as short as 2.5 weeks (China Ship Waste Disposal) or as long as 33 months (Zimbabwe Biodiversity). Management or Board approval of the projects has occurred 19 months after the IEPS review, on average. Only eight projects have reached full implementation. The first disbursement was, on average, 18 months after the IEPS was approved.

The shortest time between two steps, on average, is between the Implementation Committee's acceptance and the participants' authorization, about two months. A project needs to be authorized by the participants to proceed to appraisal. On average, it takes about 7.5 months between the participants' approval and appraisal. After a project is approved by the management or the Board, it takes about 4.5 months for the first disbursement.

UNDP/GEF projects. All but one of the 12 projects in the UNDP first tranche GEF portfolio have by now been approved and signed. The only project still under formulation is the Africa regional project on Conservation of Biodiversity through Effective Management of Wildlife Trade. This project has undergone significant changes in scope since its approval by the participants in May 1991 and is currently being finalized. Half of UNDP projects in the first tranche are in the implementation phase. Yet, only three projects, which were signed more than a year ago, have had significant disbursements so far. They are the global project, Emissions of Global Warming Gases from Rice Fields; the Africa regional project, Institutional Support for the Conservation of East Africa Biodiversity; and the China national project, Limiting Emissions of Greenhouse Gases. All other projects have barely started implementation with disbursements generally not exceeding 5 percent of the total commitment.

Of the 16 UNDP projects included in the second tranche work program, seven (less than 50 percent) have so far been approved and signed, some only recently. Among the remaining nine projects, several have run into problems that delayed their formulation. The Brazil Biomass Gasification and Gas Turbine Project is the only second tranche UNDP project in full implementation.

The pace of project development has increased noticeably. Four out of a total of nine third tranche GEF projects for UNDP have already been approved and signed. Several fourth tranche projects that have been fully formulated are about to enter the appraisal stage. Meanwhile, the fifth tranche Tanzania Electricity, Fuel and Fertilizer from Municipal and Industrial Organic Waste Project has already been reviewed by the UNDP Headquarters PAC.

The UNDP procedure starting with the participants' authorization has taken on average more than twice as long as the pre-tranche authorization phase (19 months compared to eight months). More than half of the UNDP/GEF projects have experienced average delays of 1.5 months and almost one quarter of the delays are more than three months over and above the assumed "normal" processing time of six months[6] during the course of the formulation exercise.

There were two principal reasons for this delay. First, project elaboration efforts did not commence in earnest until after the participants' approval had been obtained. Quite often, the core parameters of projects were still being worked out during the formulation mission. This resulted in considerable "backing and filling" during these missions and approximately half of the projects had to be revised after initial submission.

Second, work on processing the GEF projects has been tied to the timing of the five work program submissions. After each workplan has been approved, GEF Coordinators have had to initiate formulation efforts on several projects at the same time. This bunching-up of project processing led to delays as the Coordinators tried to move on many fronts.

A contributing factor to the delays in at least two regional bureaus was the lack of vested interest in the GEF projects on the part of Area Officers. The responsibility for project processing was shifted in the Bureaus for Africa and Asia from the GEF Coordinators to the Area Officers after the participants' approval was obtained. Having had very little involvement in the GEF projects up to that point, the Area Officers found it difficult to understand quickly the formulation requirements.

Additional delays occurred after the UNDP project approval. In nine instances, it took on the average 4.5 months before a project was signed. Likewise, nine projects needed an average of seven months to start up operations. UNDP/GEF staff attribute this slowness to the fact that there were often not as many "backers" for these activities (within or outside UNDP) as one would normally find in the case of regular IPF projects.

Conclusion on the Pace of Project Development

The evaluators' assessment of the pace of project development indicates that, on average, it takes eight months from project identification to the participants' authorization. For the most part, however, these procedures have not been a major reason for delays in the preparation and processing of GEF projects. The exceptions are those instances where project proposals have been deferred owing to decisions not to include them in the current tranche—insufficient funds, other requirements to fit focal area and geographic priorities, more work required on concept development and government support.

Also, considerable time is lost just in distributing documents at each step.

However, the major factors bearing on project delays have been difficulties at the country level in local participation issues that were not addressed during earlier stages, recipient government approval requirements and related organizational and political issues, confusion over the GEF criteria and NGO roles, and implications for affected populations. The haste with which the first tranche was developed was, in large measure, responsible for subsequent delays. Behind these issues lay the common perception and criticism from the developing countries that the GEF program has been donor driven. Inadequate time and effort was given to working with the recipient countries in gaining their understanding of the purposes and conditions of the GEF pilot phase program and the criteria for project eligibility. This applies to the government level; it is also critically important for gaining "ownership" at the community and business levels where project implementation takes place and sustainability objectives are largely achieved.

Certainly, a great deal of learning had to take place in the early months of the GEF operations on the part of implementing agency staff and governments. The concepts, criteria, and procedural requirements of the GEF are complex and evolving, requiring considerable debate, exchange of information, and new understanding. These factors, characteristic of a pilot operation but certainly not new to the implementing agencies, also have affected the pace of project development. Once understood and learned by implementing agencies and recipients, the process should operate more smoothly and efficiently.

The Usefulness of the Steps in the Review Process: GEF Staff Views

Although the additional GEF steps of project development procedures do not appear to be a major constraint on moving projects to implementation, do these steps contribute to project quality? Are they cost-effective?

In virtually all of the information reviewed there is one problem that emerges at all levels of GEF operations: the multiple layers of front-end reviews, often duplicated by the participants, are not cost-effective in terms of the additional time, expense, and effort required. Also, they are becoming more counterproductive as the participants and NGOs press their attempts to micro-manage the project development procedures. The evaluators found an increasingly negative attitude of many GEF project managers toward being involved in future GEF activities. This attitude seems to stem from the perception that the additional steps required to process GEF projects compared with regular operations add more work but very little of value in improving the quality of projects.

The lock-step procedure of preparation for the semiannual participants' meetings superimposes a timetable of inflexible deadlines for the preparation and revision of project documents. These deadlines are unrelated to the time requirements for the preparation of the project themselves and, in fact, frequently get in the way of the process at crucial points. Sometimes additional visits to the country or short-term consultancies are necessary, not because of any need generated by the project itself, but to satisfy the documentation requirements of the external review process.

As noted earlier, the least counterproductive steps of the review process are the World Bank's Technical Review Panels, UNEP's Project Screening Committee, and the UNDP Interbureau GEF PAC; in fact, most projects undergo some modification as a result of these reviews. However, the project managers' views on the value of outside technical advisors vary considerably. The STAP comments add little to project conceptualization. These comments usually consist of a general assessment of the project and a judgment about its priority for inclusion in the work program. A similar conclusion appears to be the case with the Implementation Committee and participants' comments on projects.

After the GEF projects have been authorized by the participants in work programs, there is no further external independent review. This is the case despite the fact that most of the projects undergo a number of design changes during preparation and appraisal. The evaluators question whether it is cost-effective to have all of the independent external review of the GEF projects concentrated at the stage of the Project Briefs or IEPSs when there is usually limited information available and the project has not been designed, rather than at the pre- or post-appraisal or formulation stage when problems have been identified and adjustments made to solve them. Also, the earmarking of funds occurs too early in the project cycle when very little is known about the actual financial requirements and incremental costs. Thus, the links between project costs at the time of project identification and the size of the GEF grants are minimal and vague leading to too much or too little funding being locked in with project design shaped largely by the size of the grant. The alternative for project managers is to seek cofinancing, persuade the government to increase its contribution, or just cut or eliminate project components. There is no well-defined, authorized procedure for adjusting project funding levels after participant authorizations.

In addition to concerns about front-end reviews, it was envisioned in the original conception of the GEF operations that there would be close cooperation between the implementing agencies during project development to create a framework of a jointly reviewed and consistent work program. In reality, the development and implementation of projects supported by the GEF is in the hands of the individual implementing agencies, each of them following its own established procedures and with relatively little interaction.

The Usefulness of the Steps in the Review Process: Other Views

Alternative perspectives on the usefulness of the review steps are provided by the NGOs. Considerations of the NGO perspective need to differentiate between their concerns with focal area strategies and with project selection and design. The two are, of course, closely linked, but, in terms of participation in project reviews at the pre-tranche authorization stage, some of the NGOs have expressed deep concerns and disappointment. The IUCN points out that "our experiences have been the least positive with the World Bank...; opportunities to consult with the World Bank are essentially opportunities to provide a very limited scope of technical experience to issues or projects, the fundamentals of which are more or less set by the World Bank.... Our experience in projects has been much more of a mixed bag. One of the worst aspects of this is the project identification phase...[and] being placed in a position of not knowing how projects are selected, or how to interact meaningfully with the implementing agencies in the selection process...."[7]

The IUCN comments on relations with UNDP indicate that these relations "are more varied than they have been with the World Bank. In general, we perceive a sympathetic attitude of UNDP staff in the objectives that we are trying to attain under the GEF, which is institution building and the long-term creation of capacity in countries. Their staff also tend to be more accessible and open to work with"; however, "the ultimate results of working with UNDP have been discouragingly similar to those with the World Bank. We have had very little substantial input into the overall design and focus of the GEF biodiversity program being carried out by UNDP."[8]

Other NGO views on project development procedures are expressed in the World Wide Fund for Nature report "The Global Environment Facility: Sharing Responsibility for the Biosphere." It points out that "the GEF project cycle, like the GEF itself, encompasses complex institutional compromises that reflect the strengths and interests of the three implementing agencies. This 'compromise' nature has led to a project cycle that is rather cumbersome....[It attempts] to define too narrowly the not-contradictory goals of process efficiency and effectiveness...[causing] confusion for GEF managers and participants over which goals to focus on...and mixed signals [are] sent to project managers at the World Bank and UNDP."[9]

In addition to soliciting these comments, the evaluators have met with representatives of more than 100 NGOs in recipient countries. Also, the evaluators were observers at the meeting of 25 NGO representatives organized by the Independent Panel of Experts for the evaluation in September 1993. The evaluators have also discussed the question of the NGOs' role with the implementing agencies that cite various initiatives to cooperate with the NGOs and NGO participation in GEF funded projects. A recent initiative is reflected in the document "Participation by Non-Governmental Organization in the GEF" now being completed by the GEF Secretariat. The evaluators conclude that, despite efforts to develop productive collaboration, there is a mutual dissatisfaction, in some instances strongly felt, with GEF/NGO working relationships. The structure, procedures, and attitudes bearing on these relationships require careful and thoughtful reconsideration by both the implementing agencies and the NGOs.

Steps in the Project Development Procedures: A Summing Up

As is evident from the above discussion on the steps in GEF project development procedures, the evaluators conclude that the procedures should be changed to eliminate marginally useful review functions, provide for more time for field work and local participation activity at all stages, and shift the external review process to the stage when the project is more fully developed and issues can be more clearly identified. The procedures would also benefit from greater attention by the participants and STAP to policies and strategies to guide the project development work of the implementing agencies and Implementation Committee and a systematic monitoring of project activity and, in time, outcomes. The review process requires greater continuity of knowledgeable experts with the necessary technical expertise and others with broad understanding of global environment issues and the feasibility and sustainability requirements of technical assistance and investment interventions. Finally, more structured and mutually satisfactory arrangements will be required with the NGO community and private businesses with broadly based participation to make use of their technical knowledge, skills, and experience.

Leverage of World Bank Lending Operations

Twenty-nine GEF projects are associated with lending operations of the World Bank (28 projects) and the Inter-American Development Bank (one project). The amount of total lending operations associated with the GEF is approximately US$3 billion. Has the GEF played a catalytic role to mobilize such resources? Has the GEF made such loans and credits more attractive to the borrowers?

According to the GEF Coordinator's Office of the World Bank, the availability of GET funds has influenced the design of World Bank-financed projects significantly. For example, without the GEF support, a coal power plant construction instead of geothermal energy development could have been adopted as the least cost option in Philippines. Nigeria Flared Gas Reduction would be another example. In addition, TMs for the Costa Rica global warming project (IDB) and Indonesia biodiversity project[10] responded to the questionnaire that the associated IDB and World Bank could not have proceeded without the GEF support.

However, association of a GEF project with a World Bank financed project has been controversial. The Algeria El Kala National Park Project, for example, was separated from a World Bank financed project due to the disagreement between the Algerian government and the World Bank over cross default clauses. In the Laos Wildlife and Protected Areas Management Project, although it is still associated, the establishment of a legal framework, which has raised concerns over the traditional rights of local communities, is included as a conditionality of the proposed World Bank financed project. Such conditionalities are regarded by World Bank officials as instruments to carry out necessary policy reforms, since a GEF project cannot contain conditionalities.

Another criticism of association is that the World Bank is using the GEF grant in order to make its loans (and credits) more attractive to the borrowers by separating out GEF activities that could be included in the project regardless of the availability of GEF grant. According to World Bank staff, in the India Alternative Energy Project, the GEF made it possible to include solar photovoltaic and wind power energy options in a World Bank energy project. Otherwise the World Bank would not have included these options because "they were not calculated as least cost alternatives under traditional economic criteria, i.e., absent valuation of incremental global benefits provided for by GEF funding."[11] Similarly, the GEF "made it possible to address issues of gas transmission safety and environmental protection within the associated [World] Bank gas conservation loan."[12] On the other hand, the India case can be taken as an evidence that the GEF could not influence the World Bank to go beyond traditional economic criteria. Also, it can be argued that gas transmission safety and environmental protection in China should be addressed with or without the GEF.

As of June 30, 1993, only 15 out of 51 GEF investment projects to be implemented by the World Bank have been approved. Therefore, it is still difficult to provide a comprehensive picture of whether the GEF leverages World Bank resources. However, there are some indications that the GEF projects have not been instrumental in mobilizing their associated World Bank projects during the pilot phase.

First, there are five cases in which a GEF project was added on to a World Bank-financed project that had been already under preparation. GET funding for a free-standing GEF investment project implemented by the World Bank is approved by a Regional Vice President (RVP). However, if GEF funding is associated with a proposed World Bank-financed project, the Board of Directors of the World Bank approves the lending operation including the GEF grant funding. The Philippines Conservation of Priority Protected Areas Project, for example, still awaits the RVP approval while its associated project, the Environment and Natural Resources Management Project was approved by the Board in June 1991. Similarly, in the case of the Poland Coal-to-Gas Project, the Board approval of the associated project (the Heat Supply Restructuring Project), June 1991, preceded the authorization of the GEF project by the participants in December 1991. GEF projects in Malawi (Lake Malawi Biodiversity Project), Mali (Household Energy and CO_2 Reduction Project) and Algeria/Morocco/Tunisia (Oil Pollution Management System for the Southwest Mediterranean Sea Project) have not reached the RVP approval, although their associated World Bank-financed projects have been approved by the Board.[13]

Second, there are three more cases that World Bank lending operations proceeded without their GEF components. In these cases, a GEF project and a World Bank-financed project were developed jointly, but were later separated from each other. After separation, lending operations to Kenya and Algeria have been approved by the Board. On the other hand, their former GEF components (Kenya Tana River Primates Project and Algeria El Kala National Park Project) have not yet reached the RVP approval. The GEF project in Bolivia (Protected Area System Project) and its former World Bank counterpart were both approved, by the RVP and the Board respectively, after separation. These cases suggest that the GEF component was not critical to obtaining World Bank funding.[14]

Third, there are several cases of weak links between the GEF component and the World Bank-financed component(s). In the case of Seychelles, for example, the GEF component—Biodiversity Conservation and Marine Pollution Abatement Program—has little to do with another component financed by a World Bank loan that aims at the improvement of road, airport and traffic safety. Another example is the case of Thailand, the Distribution System and Energy Efficiency Project, which includes a GEF component, Promotion of Electricity Energy Efficiency. While GEF and non-GEF components are highly complementary, they could have been separate projects. The borrower of the World Bank loan is the Metropolitan Electricity Agency (MEA) that is responsible for electricity distribution in metropolitan Bangkok. MEA plans to improve and expand distribution systems. On the other hand, the GEF component is executed by the Electricity Generation Authority of Thailand, which is primarily responsible for electricity generation. The GEF component that aims at demand-side management emerged as an alternative to the construction of a new power plant. In addition, there are seven more cases in which both the GEF component and the associated World Bank-financed project have been already approved. It is highly debatable whether World Bank-financed projects in such cases would or would not have proceeded without their GEF components. TMs for projects in Lao P.D.R. (Wildlife and Protected Areas Management), Mali (Household Energy and CO_2 Reduction), the Philippines (Conservation of Priority Protected Areas) and Thailand (Promotion of Electricity Energy Efficiency) responded to the questionnaire sent by the evaluators that the associated World Bank-financed project would have proceeded without GEF component.

In spite of a large amount of World Bank lending operations associated with GEF projects, the evidence is inconclusive as the majority of projects are not yet approved and are going through design changes. A longer period of experience with GEF leverage arrangements is necessary. Thus, a comprehensive analysis should be carried out at a later date.

Transparency and GEF Operations

Transparency calls for public access to program documentation and decisionmaking that bears on policy and program actions. It involves opportunities for public interest groups to find out what decisions have been made and observe decisionmaking processes. GEF managers have worked from the beginning to maintain transparency in GEF operations. Achieving this goal, however, has been a learning process in determining the most effective ways to be responsive and meet the rapidly growing demand for information and adapt existing agency procedures and attitudes.

The Administrator's Office has made a determined effort, on which it has favorable comments, to respond to requests for information on the GEF operations and decisionmaking. It has developed a communications strategy. The documentation on projects has been expanded to include technical assessments, STAP comments, and other views and decisions on how these views have been accommodated. Special meetings have been organized, for example, for the NGOs to review the GEF policies and projects and exchange views. A record of the meetings of the GEF staff with public interest groups shows that a large portion of the staff work is devoted to extending the transparency of the GEF work. However, the issue of transparency continues to persist owing to concerns that have been expressed about the openness of the project development process, described by some as something of a black box.

Transparency has its costs. The time and resources the agencies spend on ensuring the widespread dissemination of program documentation, arranging special meetings, and involving the NGOs and others in project development work add to staff workloads and administrative costs. The budget for communications for the Administrator's Office has been increased in the past two years and the demands for more information in a variety of forms and languages continue to grow. Transparency opens the door to special interest groups to promote their particular agenda and become involved in decisionmaking functions without accountability. Where handled responsibly, transparency has major benefits in ensuring public understanding and support for the GEF operations.

Transparency and the World Bank/GEF Operations

The most contentious aspect of transparency of the GEF operations is focused on the World Bank's GEF-associated regular projects and the concerns of the NGOs who want more information on the World Bank's decisionmaking processes and conditionality. This issue arises because of the World Bank's old (and now superseded) disclosure policy, contained in the Administrative Manual Statement 1.10, which classifies loans and credit documents and other country reports as "confidential" until completion of negotiations and discussions with the government concerned and "restricted" thereafter for a period of 10 years. On August 26, 1993, the World Bank's Board approved new policies on information disclosures, largely removing constraints that previously impeded access to many of the World Bank's documents. The environment, in particular, figures prominently as an area where disclosure is thought to be beneficial. The new policies will be effective starting January 1, 1994, when a Public Information Center will also be established at the World Bank. Because earlier documents were prepared under the protection of the older policies that restricted publication, release of these will be judged on a case-by-case basis.

The new policies have been extensively discussed with the Board since July 1992 and aim for increased transparency, particularly in respect to specific lending operations and environmental issues. The World Bank has been in favor of transparency in the belief that openness will enhance its effectiveness, but it recognizes the fact that unlimited public access to its documents, particularly when they are still in draft and also where delicate negotiations with borrowers are not yet complete, would impede the World Bank's effective functioning. Much information also belongs to borrowers, and while the World Bank would encourage disclosure for the benefit of development effectiveness and guard against harmful impacts on project-affected groups, it cannot be the sole arbiter of disclosure, "given the practical and legal limits to openness" and legitimate government concerns. No institution could effectively conduct its business, the World Bank argues, if every draft of every document were made available for public discussion. Access to some documentation needs to be restricted during certain stages of business.

A major instrument of disclosure will be the Project Information Document, which will provide substantially more factual information on projects being published in *Development Business*. Once the Board has approved a project, the World Bank-produced appraisal reports will be made available to the public.

The World Bank maintains that already its Operational Directives require prospective borrowers to consult with affected persons and NGOs involved in World Bank-financed projects. Particularly for projects with environmental impact the World Bank management has viewed it as important to share information so that affected parties can make their views known. All parties at the June 1992 UNCED were agreed on the need to strengthen national and international mechanisms of information exchange, and the World Bank has attempted to do this for the benefit of the projects it finances.

As to environment-related documents, effective July 1, 1993, the World Bank put into effect the IDA-10 recommendations for (a) having environmental assessments for IDA-financed projects made publicly available at the World Bank Headquarters and in member countries' field offices once the borrower has made the information publicly available in its own country; and (b) for "increased availability of environmental analyses for IDA-financed projects." For the future, environmental assessments for World Bank projects will be made publicly available after local release of environmental information by the borrower government. Environmental analyses of World Bank projects and environmental action plans of borrower governments will be made available after receiving the borrower government's consent on a case-by-case basis.

Whether the World Bank's new policy on disclosure meets requirements for transparency will not be known until after experience is gained with its application in day-to-day operations.

Transparency and UNDP/GEF Operations
UNDP has tried to show the way to greater transparency and public accountability. In April 1993, UNDP Headquarters, noting the increase of requests for information, especially from the NGOs, reminded its field officers that "UNDP's policy is to ensure full access to all information to any interested parties" and urged them "to respond as fully, transparently, and candidly as possible to all inquiries." The UNDP Administrator recently issued a directive specifying precisely which GEF documents are to be released upon request and the procedures for releasing them. However, these policy guidelines will have to be reinforced with the staff and financial resources needed to respond to requests for information and documents. The director of a large NGO clearinghouse indicated to the evaluators that his organization has had difficulty getting project documents from UNDP on a timely basis.

Transparency and UNEP/GEF Operations
UNEP has involved the NGOs in all of its GEF projects and maintains an extensive distribution system of all GEF documents, including those of the partner agencies. Documentation on UNEP's own GEF projects and UNEP's technical reviews is accessible in accordance with UNEP's Administrative Note on Policy and Procedures Related to Public Availability of Documentary Information on GEF Operation (September 1993).

Summing up on Transparency and the GEF
The goal of transparency in an aid agency is to keep parties outside the agency fully informed about the institution's programming processes so that non-institutional views and insights can be expressed, recorded, and taken into account during the agency's decisionmaking process. The consultations that flow from a policy of transparency can help aid agencies make their programs and projects more relevant to developing settings as well as improve chances of project impact.

Development agencies, like other institutions, however, require a degree of privacy during the course of shaping institutional strategies and investment decisions. Without some assurance of privacy, staff may become inhibited in the expression of their views, and the scope for individual creativity may become constrained. Institutional effectiveness can also be impaired if confidential documents, reflecting individual opinions expressed during informal agency discussions leading up to an investment decision, are publicly circulated, conveying an impression of institutional disarray.

While aid agencies must strive to ensure the transparency of their programming processes, they cannot share, delegate, or devolve their overall responsibility for development investment decisions. This responsibility usually is derived from legislative or executive entities that rightfully hold aid agencies accountable for the consequences that flow from their investment decisions.

Generally, the GEF during the pilot phase has emphasized the importance of transparency in its documentation and decisionmaking. However, the demand continues to grow for more extensive documentation on GEF projects and operations and more information on decisionmaking processes. Because of the GEF's growing universal character, the desire to ensure broad global involvement and support for protecting the environment, and the strong feelings about global environmental concerns among a number of public and private groups, the demand for openness and involvement is increasing the pressures for greater transparency. The pilot phase of the GEF has provided an opportunity to develop improved communications and openness, perhaps, to a greater extent than has been the customary experience of the implementing agencies. It has been a learning period during which the structuring of a generally acceptable system is evolving. Addressing the GEF approach to transparency also affects, and is affected by, questions of participation, responsibility, and fairness among those involved.

Participation

Participation in the GEF operations during the project development process takes place at local, national, and global levels:

- The participation of affected local communities and local NGOs in the identification of projects, their design, and implementation;
- The participation of national public and private institutions in the formulation of country GEF program strategies, project identification, development and implementation, and related reviews; and
- The participation of governments and national and international NGOs in the shaping of the GEF global policies and strategies for the four focal areas.

Here, the focus is on local participation in project development and implementation. As the above description of the project procedures by the agencies and the related analysis bring out, participation in project development and implementation involves a complex of organizations and people with variations among the focal areas.

Participation depends largely on the range of people and organizations that need to be involved to achieve project objectives. For biodiversity, this almost always calls for the participation of affected populations in the designated areas (habitats), their community organizations, national NGOs concerned with community welfare, national NGOs concerned with environmental issues of endangered species protection, government agencies—national and local—that have local area development responsibilities, and private businesses that have an interest in the natural resources of the areas. Some global warming projects call for a similar complex of organizational and community participation, especially from those concerned with carbon sequestration in forest preserves or GHG-generating agricultural activities. Other global warming projects require a broad base of private business and public participation such as the introduction of energy efficiency measures. Ozone protection and some aspects of international waters pollution control projects, however, tend to be focused on major industrial complexes and their practices.

Most of the concerns with participation have been raised in conjunction with biodiversity projects and, to a lesser extent, global warming projects. The issues that have been raised by affected communities, local NGOs, and their international counterparts focus on the project identification and development process that has not engaged them at all or only peripherally. From the review of the GEF projects in the pilot phase, we find that:

- Inadequate attention has been given to explaining and discussing the objectives and criteria of the GEF with national and local organizations to lay the groundwork for the identification of projects;

- Arrangements for project development from the first brief to the final design do not provide for systematic and structured participation—the consultations that are reported as promoting participation tend to be perfunctory in character and confused about purpose;

- Inadequate attention has been given to understanding the social, cultural, and economic as well as biodiversity features of the selected areas, which is important for guiding the participation process;

- More time is required to sort out the relative roles and responsibilities of the local, national, and international NGOs to reduce the conflicts and competitions that arise during implementation;

- The ways local peoples will be affected and their interests addressed need to be considered more carefully (decisions about resettlement, for example, should not be made externally);

- Many of the above concerns about participation stem from the time frames dictated by GEF procedures and deadlines (the affected communities and local NGOs require more time than they have now); and

- The levels of GEF project funding have tended to be excessive to the scale and pace of project activity envisioned, although substantial amounts may be required over the long run.

Generally, as has been the experience with rural development projects, it may be preferable to have long-term strategies with small increments of funding for the selected area as learning about what works develops, institutional capacities grow, and community involvement moves to ownership. Such an approach requires long-term (10–15 years), on-the-ground, and dedicated supervision with continuity of leadership. Do the GEF project development mechanisms and requirements allow for such an approach?

The World Bank and Participation
A frequently heard criticism is that the World Bank's project approach does not leave room for enough stakeholder participation, especially in the early stages of design. Recently, the Wapenhans Task Force (Portfolio Management Task Force) identified this problem as one of the main reasons for the poor implementation record of the World Bank projects. There is a

participation exercise under way in the World Bank that is designed to change the behavior of TMs and others to facilitate more participation in project development procedures. Because as originally intended, the GEF pilot phase is founded on the existing policies and procedures of the implementing agencies, it is not surprising that the GEF has inherited the weakness of the procedures along with their strengths.

The extent to which the recipients and other stakeholders of GEF grants are actually involved in the identification, preparation, and appraisal of the projects seems to be highly variable and dependent on a number of factors, including the nature of the project, the capacity and level of interest of the country, and the personality of the TM. It is hard to generalize about these issues. Shortage of time, in fact, has probably been the main determining factor in the degree of participation and consultation actually achieved in the development of the various projects, although aspects of the institutional culture of the implementing agencies also are relevant.

While the field visit reports and the questionnaire responses diverge widely, there is a consistent exaggeration of the amount of consultation and participation with governments, NGOs, and affected communities in the project documents themselves. For example, a workshop in Laos was portrayed as an extensive and serious consultation by the TM. However, the same workshop was described as a "briefing" by several NGO representatives who participated in it. The truth may be somewhere in between. Therefore, the evaluators conclude that any statements purporting to characterize the quantity and quality of interaction between the World Bank staff and other project stakeholders of various types should be carefully considered. This also applies to UNDP fieldwork.

Also, there is a problem inherent in promoting participation by local and international NGOs, community-based organizations, and other stakeholders because of the exceptionally large sums of grant money available for grassroots studies and other activities under the GEF projects, especially in the biodiversity area. A UNEP officer commented to an evaluator on the intense internecine struggles between Kenyan NGOs and local communities for a "piece of the action" under the proposed Tana River Project: "Large sums of money for projects of relatively small geographic areas may cause wide-ranging destructive rent-seeking behavior and distort the political will of players both locally and nationally."

The issue of funding levels that are disproportionate to local capacities has been identified for biodiversity projects. As noted above, this disproportion affects the quality of participation. A World Bank/GEF official suggested that the use of trust funds or tightly controlled management of disbursements may offset this concern. However, the existence of large funding levels at the local level generates distortions and unproductive pressures for the use of the funds.

The participation issue also arises when the operating style of the TMs is insensitive to local interest and views. This may stem from individual personalities but also from short time frames and the comparatively low importance in World Bank operations of the GEF project activity.

UNDP and Participation

UNDP, over and above the GEF framework, is working to establish itself as an agency that is "community and participation friendly." It recognizes that without meaningful consultations with communities and their representatives at each stage of the project development process, projects have little likelihood of success. Recently, the UNDP/GEF office issued a matrix, reflecting this sensitivity, which identifies "opportunities for participation by community groups and NGOs in the UNDP project cycle."

Given this agency sensitivity, the evaluators were surprised to find in the UNDP portfolio a lack of deftness in spelling out realistic strategies for enlisting community participation. A good number of project proposals show little evidence of the need for such strategies—the project designers evidently believing that things will come together when the project management group hits the ground. In several projects, the participation issue was recognized but project managers were tardy in turning to intermediary groups (community or NGOs) for assistance in devising the participation strategy.

Only a few of the UNDP projects reviewed made an attempt to build into the project the capability for assuring that (a) socioeconomic data is gathered, compiled, and analyzed in a scientifically valid manner (for example, skillful sampling, targeted questionnaires and interviews, and baseline establishment); (b) changes in the "people situation" are monitored and interpreted over time; and (c) timely options are available for ameliorating untoward developments and reinforcing positive ones.

Recently, a UNDP policy directive was issued calling for an increased involvement of community groups and NGOs in the GEF project development process. The directive is a useful step in the right direction but needs to be implemented with how-to guidance. In many situations, project designers are sensitive to the need for community involvement but lack the insight and know-how to facilitate the process.

Summing up on Participation

There is an obvious need for more guidance from implementing agencies on the technical processes that need to be followed to ensure community involvement and on the kinds of skills that should be recruited for design and implementation teams to help install and monitor this process. It must be clear that the process goes much beyond holding "consultations" with international and capital-city NGOs. Local community organizations and NGOs will need to be turned to for assistance in carrying out this process. However, funding—in modest amounts—will need to be provided for building the capacity of local NGOs and communities to design and manage GEF projects. National and international NGOs can be important intermediaries in this process, but they have to also maintain sensitivity in their work with the local groups. As pointed out in the WRI/UNDP report that helped to trigger the GEF:

> Experience shows that planning such projects requires much preparatory work with local communities, local governments, ecologists, and rural development specialists, and that even well-planned projects succeed only if truly representative local institutions participate.... Most NGOs, however, lack the technical and managerial capacity to implement comprehensive projects and meet reporting requirements of international donors. (*Natural Endowments: Financing Resource Conservation for Development*, 1989, p. 6.)

GEF Pre-investment Facilities

The Enabling Memorandum recognized that "many of the activities tentatively identified will require upstream work to establish their technical feasibility." Because of "its experience in the management of...pre-investment assistance," UNDP was assigned the responsibility for coordinating the financing of GEF pre-investment work, with a ceiling of US$2.5 million for individual activities (see Chapter 3).

The UNDP review system for the PRIFs has been similar to the one used for regular GEF projects. After a PRIF concept has received clearance, the Activity Initiation Brief is drawn up justifying the pre-investment activity. This Brief is reviewed by the in-country PAC and then forwarded up the line for Headquarters' approval. A review of the GEF experience with the PRIF reveals the need for an overhaul of the apparatus. In the first place, the GEF terminology used to characterize PRIF efforts has become increasingly imprecise and confusing. The UNDP Operations Memorandum referred to PRIF funding being authorized "for studies intended to lead to investment or large/complex Technical Assistance proposals, for which the outcome (that is, the feasibility) has not been assured."

In practice, the PRIF has been used to finance a smorgasbord of GEF activities. In addition to financing straightforward pre-investment activities,[15] PRIF funding has been used to finance (a) the design of program-level frameworks for in-country GEF activities;[16] (b) the design of projects and attendant agreements;[17] (c) pilot activities designed to test a project approach on a small scale, with the parent project becoming a large replication of the pilot scheme;[18] and (d) start-up activities for projects.[19]

The UNDP-administered PRIF was weakened early in the GEF pilot phase by the inability of UNDP and the World Bank to agree on modalities for the PRIF approval process. The communication breakdown (see Chapter 9) led to the World Bank's setting up of its own pre-investment facility for GEF activities in April 1992. The Project Preparation Advance, the World Bank's facility, is used for (a) upstream preparatory work, including studies that are essential to expedite preparation and implementation of a project proposed for GET financing; (b) pre-investment studies to confirm the feasibility of the proposed project; and (c) equipment and materials that will demonstrate feasibility and help design large-scale replication of the same technology.

As under the PRIF, all projects for which PPA funding is sought must be formally proposed by the recipient government. The project must also have passed a technical review that supplements the IEPS review. PPA funding is denominated in SDR and the ceiling for individual activities is SDR 1 million.

There are now two GEF pre-project facilities, running in parallel and separately, with little GEF oversight of PRIF/PPA processes. The participants receive no documentation on PRIF/PPA activities except in the form of activity titles and allocations. The Implementation Committee must declare the parent project eligible for PRIF/PPA funding but does not review the Activity Initiation Brief,[20] the document which provides the justification for the PRIF. The Administrator's Office simply acts as a recorder of the PRIF/PPA obligation after the fact. In effect, each agency decides what pre-investment activities are, how much GEF money will be spent on such activities, and what the money will be spent for. It is anticipated that approximately US$26 million will be expended through PRIF/PPA channels during the GEF pilot phase.

Virtually all pre-project expenditures are currently charged to the GEF account by the implementing agencies. Consequently, there is no compelling reason that pre-project costs for some projects should be scrutinized in advance under a pre-investment facility while pre-project costs for the remaining projects are reported only on a post facto basis. GEF funds for administration costs also are used for project development work.

A greater degree of accountability for the drawdown of GEF pre-project funding should be introduced into the GEF programming system. The GEF Secretariat should issue guidelines on the use of GEF funds for pre-project purposes that would indicate (a) the nature of pre-project activities that will be reimbursed;[21] (b) the funding ceilings for these activities;[22] and (c) the information that should be submitted, along with the Brief, to justify the pre-project expenditures. Based on these guidelines, implementing agencies would be expected to justify costs for pre-project activities for *all* proposed projects at the time of Brief submission and review. In the exceptional case wherein the GEF Secretariat decides *not* to recommend that the GEF finance a project, for which GEF pre-project activity costs have been authorized, the sponsoring implementing agency should still be reimbursed for the pre-project expenditures.

Endnotes

1. The World Bank's position is that the most appropriate and valuable forum for interagency participation and exchange of critiques is at the face-to-face Technical Review Panels, and not at STAP meetings.

2. However, PRIF and PPA funding has often been approved retroactively, that is, after a GEF project has been authorized by the participants.

3. The New World Screwworm Project (World Bank first tranche) was dropped by the participants because they agreed that the Facility should not provide budgetary support to ongoing international cooperative programs.

4. A number of UNDP and World Bank projects in the portfolio adopt or build on development work carried out by the UNEP: South-East Asian Rhino Protection, Caribbean Waste Disposal, Gulf of Guinea, Yemen and Egypt Red Sea Projects, Black Sea. UNEP has also participated in project identification and appraisal missions (Black Sea, Lake Malawi) of the partner agencies. UNEP has identified experts and provided reports and data for several projects (East-African Biodiversity).

5. See GEF/UNDP Operations Memorandum, Number 2, para. 50.

6. Delays have been computed by determining the average deviation of projects from the assumed "normal" processing time.

7. A letter from Byron Swift, IUCN-US to Dr. Alvaro Umaña, Chairman, GEF Independent Evaluation Panel, July 26, 1993. A copy of the letter was received by the GEF Evaluation Coordinator. Confirmed by IUCN World Headquarters.

8. Op. cit.

9. *The Global Environment Facility: Sharing Responsibility for the Biosphere*, Vol. 2. WWF, 1993, p. 45.

10. The Indonesia biodiversity project became free-standing after its TM responded to the questionnaire sent by the evaluators.

11. "GEF World Bank Operations: Pilot Phase Business Review - Preliminary Summary," November, 1993. The text continues, it "was considered highly unlikely that the government would have addressed these concerns under a Bank loan in the absence of GEF funding."

12. Ibid.

13. The GEF project in the Southwest Mediterranean Sea is associated with three World Bank financed projects in Algeria, Morocco, and Tunisia. The project in Morocco has been approved by the Board.

14. There are eight more GEF projects that used to be associated with a World Bank-financed project. Of those, GEF projects in Slovak and Ukraine have been approved by the Regional Vice President, but their former World Bank counterpart projects have not reached the Board. For the remaining six cases, neither the GEF projects nor their former World Bank counterparts have been approved by the RVP or the Board, respectively.

15. China Sichuan Gas Transmission; Egypt Nile Wetlands.

16. Mongolia Biodiversity Conservation; Thailand Biodiversity; Yemen LPG Substitution Programme.

17. Thailand Energy Efficiency; Uganda Bwindi Forest.

18. Pakistan Maintaining Biodiversity with Rural Community Development. This activity could be viewed as a full-scale project.

19. Brazil Northwest Forestation; Jordan Methane Reduction and Utilization of Municipal Wastes.

20. In the case of the World Bank's pre-project facility, the justification for the PPA is contained in the GEF-EPS, which is not reviewed by the Implementation Committee.

21. The guidelines would be based largely on the experience of the pilot phase. For example, it probably makes better sense to treat efforts aimed at assisting in the "development of national environmental frameworks (or decisionmaking matrices)" as full-blown projects rather than pre-project activities—reflecting the considerable amount of energy and time that must be invested to develop frameworks that are both comprehensive and relevant.

22. During the pre-project phase, implementing agencies could exceed funding estimates by a reasonable percentage, but authorization would be required from the GEF Secretariat to incur expenditures beyond the allowable percentage ceiling.

9. Organization and Management

Summary

The main overall findings on the organizational and management arrangements for the GEF pilot phase are evident from the evaluators' reviews of the GEF primary operating components. These findings are:

- The demands of the complex organizational arrangements, the features of the focal areas, and most important, the pressures for early and rapid authorizations and commitment of GEF funds have placed extraordinary demands on GEF staff, impairing the quality of their work. The fact that the staffs achieved the levels of authorization requested by the participants attests to their dedication and long hours of work. This pace cannot be sustained.

- The evolution of the components of GEF operations has been dysfunctional: policy and technical guidance and coordination support took shape after the operations were under way.

- The internal organizational and staff capacities of the implementing agencies have improved but still require further attention to (a) integrating GEF work with regular operations; (b) increasing the professional capacities of staff both on technical aspects of the focal areas and the general requirements of GEF operations; (c) determining both the technical and programmatic requirements of the focal areas, particularly biodiversity projects, and the way they are being managed; and (d) improving agency incentives for staff work on GEF activities.

- Both the lack of independence of the Chairman's functions from the demanding responsibilities and priorities of the World Bank's regular activities and his supervision of both the GEF Administrator and the GEF Operations Coordinator for the World Bank's GEF investment activity have weakened the rigor of the administrative and program oversight of the GEF *as a whole* as well as a distinctive identity for the GEF program.

- While the existence of the GEF and its activities within the implementing agencies has had some effect in creating an awareness of global environment issues, the operational arrangements and reactions to the pressures for quick results may have, in some instances, been counterproductive in gaining support for global environmental concerns.

- The experience with GEF operations over the past three years indicates that the implementing agencies have had considerable difficulties working collaboratively within the GEF framework. The absence of an independent arbiter has been a primary weakness in GEF operations.

Box 9.1: Summary of Agency Responsibilities

The GEF represents an agreement by a group of participating countries to fund pilot programs to protect the global environment. This will be organized through the establishment of a Trust Fund which the World Bank will administer on behalf of the participants. The programs supported by the Fund will be implemented by UNEP, the UNDP, and the World Bank. The following paragraphs summarize the core role of each agency in the operations of the GEF.

UNEP will play a key role in the strategic planning to set the operations of the GEF in the global and national environmental context. As the coordinator for existing and emerging global environmental conventions, it will help ensure that the global policy framework for the GEF is consistent with existing conventions and related legal instruments and agreements, and that the experience generated by the Facility will be helpful in developing new treaties and agreements. UNEP will play a key role in helping developing countries define their needs to deal with the global environmental issues supported by the GEF. It will work closely with the UNDP in providing the scientific and technological support needed in the areas of institution building and training. It will help ensure that the GEF operates in areas judged ripe for action, drawing on the best available scientific and technological advice. In this capacity, it will coordinate research and data gathering and will organize the establishment of the Scientific and Technical Advisory Panel and serve as the GEF liaison with the Panel.

UNDP will play a key role in ensuring that the strategic planning maximizes the complementarity between developmental and environmental concerns. It will organize appropriate studies and assessments to serve as a basis for these strategies, and will help organize technical assistance, institution building and training activities needed to create and implement them. The UNDP will play the lead role in coordinating pre-investment studies and technical

The following sections provide some background analyses related to these findings as well as some specific issues relevant to the implementing agencies and their operating practices. They cover the organization and operations of the managing units for the GEF, which include (a) the GEF Administrator/Secretariat office; (b) the role of UNEP in GEF strategy planning and in supporting STAP; (c) STAP performance; (d) UNDP/GEF technical assistance operations; and (e) the World Bank's GEF investment operations and the experience in striving for consensus among the implementing agencies. Also reviewed briefly are the Global Environment Trust Fund mechanism, GEF administration costs, and GEF cofinancing and collaboration with other agencies.

Background

A primary organizing principle for the GEF during the pilot phase was that no new organization would be created to administer GEF

(Box 9.1 Continued)

assistance and ensuring their consistency with each country's human resources development strategy and action plan. Special attention is likely to be needed in institution building and training. In both these areas the UNDP has extensive experience, and will identify and develop programs, working in close cooperation with UNEP and the World Bank. Like UNEP and the World Bank, it will be involved in extending the country-specific frameworks in those countries where it is already offering technical assistance to develop environmental strategies and action plans. With its expertise and extensive field presence in developing countries, the UNDP will participate in the investment project cycle, especially in the early phases of identification of investment opportunities. The UNDP Resident Representative will play a key role in coordinating activities at the country level and in ensuring that the programs being undertaken by the GEF are complementary with other development activities.

The World Bank will serve as the Trust Fund Administrator. In this capacity the World Bank will convene periodic meetings with the agencies to review progress and any operational problems which may arise. In those countries where the World Bank has already assisted the government in preparing National Environment Programs or where these are under preparation, the Bank will seek to broaden these to encompass the areas covered by the GEF. The project cycle involves participation of all three agencies. The World Bank will organize the project identification, appraisal, and supervision process with UNDP and UNEP participation. The timetable for processing individual investment projects will be the critical input into decisions on the timing and content of scientific and technological support and technical assistance operations.

Source: Enabling Memorandum, "Establishment of the Global Environment Facility," February 1991.

funds. The responsibility for implementing the GEF program would be shared between UNEP, UNDP, and the World Bank. The specific responsibilities were spelled out in the October 1991 agreement on procedural arrangements for the GEF. (See Box 9.1.)

According to this guidance and the expectations of the participants, "modest modifications" in the implementing agencies' structures and systems would be acceptable; "consensus building" and "informal arrangements" with a minimum of formal agreements would be the style of operations; external expertise would be drawn on to ensure the technical and scientific quality of proposed GEF activities. In addition, these approaches for the GEF organization and operations would be achieved by having the World Bank assigned the responsibility for providing the chairman for the GEF participants' meetings. The chairman would also be responsible for overseeing the administration of the Facility and GEF investment operations, which, it was assumed, would be the bulk of GEF operations, as the participants originally intended.

The first GEF Chairman from the World Bank was also the Senior Vice President for Policy (including environment), Research, and External Affairs. In late 1991, the Director of the Environment Department (who reported to a Sectoral Policy Vice President) became Chairman of the GEF as well. At the outset, it was assumed by the World Bank that the Coordinator for GEF operations in the Environment Department would manage the GEF as a whole as well as coordinate GEF investment operations in the World Bank. The first report to the participants in May 1991 was by this officer, who provided the first set of guidelines for GEF project selection and other operating policies. In April 1991, a GEF Administrator for the GEF Secretariat was appointed to assist the Chairman provide support to the participants. After December 1991 the GEF Operations Coordinator for investment activities and the Administrator for the GEF Secretariat reported to the same senior manager serving as both Chairman of the GEF and Director of the Environment Department. In late 1992, the World Bank reorganized and the Environment Department was placed under a newly created Vice President for Environmentally Sustainable Development.

It was the expectation of the participants during the early planning for the GEF that this organizational and management arrangement (with the World Bank having the dominant responsibility, control, and funding—viewed by some as the World Bank's GEF),[1] rather than a new organization, would be more cost-effective. It would benefit from the comparative advantages of each organization and the synergy of their interactions, have the ability to move quickly in addressing environmental concerns in developing countries through investment and technical assistance projects, and bring to bear a broad spectrum of scientific and technical expertise in the critical focal areas of protecting biodiversity, reducing global warming, reducing international water pollution, and reducing ozone depletion. Moreover, the arrangement would provide confidence among donors and recipients, ensuring them that the funds would be soundly and fairly administered, and, thus, generate additional funds to address global environmental issues. What, in fact, has been the experience with the arrangement?

The Administrator's Office/Secretariat

In the original plan for the GEF, there was no provision for the World Bank's Administrator's Office. It was assumed, as noted above, that this function would be handled by the GEF Operations Coordinator, in addition to the responsibilities for the GEF investment program. In May 1991 the Chairman reported to the participants that he would be assisted and advised by a GEF Administrator appointed within the World Bank Environment Department. This function would be separate from the World Bank's Coordinator for GEF Operations. The incumbent started work in April 1991.

The GEF Administrator's functions were first described in the December 1991 public information brochure on the GEF. It states:

> The Administrator (located at the World Bank) supports the chairman, coordinates the work programs of the three implementing agencies, and oversees the administration of the GEF. The Administrator is also responsible for external affairs and communications strategy as well as the development of a policy and strategy work program to underpin the GEF and provide guidance in its implementation.

Apart from this statement, no formal functional statement for the Administrator's Office has been prepared and approved by the implementing agencies or the participants—perhaps in keeping with the participants' desire to keep the operation informal.

However, the *The Pilot Phase and Beyond* (p. 7) refers to the Participants' Assembly (PA), Chairman, and Secretariat as a projected arrangement for the GEF. The functions of the Secretariat would follow closely those that are evident in the work of the Administrator. It states:

The responsibilities of the Secretariat would include:

(a) Maintaining information flows to participants on key policy, program, and implementation issues as they arise, and preparing policy notes and other advisory papers for consideration at the PA and to guide the implementing agencies;

(b) Acting as liaison with the conventions' bureaus and/or secretariats;

(c) Arranging interim meetings as may be required—such as ad hoc working groups of participants, internal reviews, efficiency audits, and consultations with NGOs and the private sector;

(d) Providing Implementation Committee support and coordinating the submission of the three implementing agencies' annual budgets and reports; and

(e) Managing the logistics, and preparing information and documentation for the semiannual PA meetings.

The May 1992 statement appears to emphasize a service function for the Administrator, while the December 1991 statement points to a more managerial and leadership role.

The Administrator started work in April 1991 with one part-time secretary. During 1992 and early 1993, the office was increased to three high-level officers (External Affairs Officer, Environmental Economist, Biodiversity Specialist), two long-term consultants, and four support-level staff (one part-time). A further expansion is planned for FY94 to 17 (six high-level officers, three long-term consultants, and eight support staff. The administrative costs for this office from its formation to the end of the extended pilot phase (FY99) is projected to be US$10.8 million, including US$3 million for GEF II preparations.

As a service support operation, the Administrator's Office has performed well in meeting the increasing demands of the participants and maintaining support arrangements for their constantly increasing numbers. Its communications strategy, first outlined in 1991, included efforts to educate the participants' governments about the GEF; to set up forums (informinars) in-country with implementing agency staff, NGOs, the press, and government officials; support speeches on the GEF; facilitate bilateral discussions and press briefings; and provide a range of documents, bulletins, and promotional materials. This task has grown faster than anticipated and has become a major function of the office in conjunction with the demands for transparency. This strategy will need to be reconsidered in light of the changes that occur in the GEF structure.[2]

The major missing function of the Administrator's Office is a systematic effort to capture and disseminate the experience of the pilot phase. Planning for this work should have been laid out at the beginning of the pilot phase and developed as the program progressed. Although the World Bank started work in February 1993 on a database for its projects, neither UNDP nor UNEP has done so. This work may not fall directly under a communications strategy but a comprehensive GEF monitoring, evaluation, and dissemination strategy and operations plan for the GEF *as a whole* is essential. Even with little implementation under way, the pilot phase has brought out a number of techniques, approaches, practices, and issues that would be helpful to those working on project development. The Administrator's Office should have the lead in ensuring that this work is undertaken for the GEF as a whole.

The policy development staff work of the Administrator's Office has been increasing to meet the participants' requests. In the past year, this has been largely focused on the preparations for the GEF II. Earlier work was undertaken on the incremental costs issues with the formation of the PRINCE project the only instance where the Administrator's Office has become directly involved in project development and management. Policy reports include *The Pilot Phase and Beyond; A Selection of Projects from the First Three Tranches* (WPS Number II, June 1992); *Economic Cost of Carbon Dioxide Reduction Strategies* (WPS Number III, September 1992).

The efforts of the Administrator's Office to coordinate the planning of the work programs for the participants have been in the form of supporting the Implementation Committee. However, its role in this work has been weakened owing to the objections of UNDP and UNEP to having the Administrator chair the meetings as he was perceived to be a World Bank official. The chairmanship has been rotated among the implementing agencies, which has resulted in inconsistent leadership and decisionmaking. However, the Administrator has been able to help moderate some of the differences among the agencies. And despite the implementing agencies differences, the office has been able to put together the five work programs (tranches) for the participants.

The main concerns of the evaluators in reviewing the work of the Administrator's Office relate to:

- The lack of a fully developed functional statement for the Administrator and staff that spells out the office's authorities, and responsibilities for coordinating GEF operations; the Administrator's role as the chair for interagency meetings; the office's responsibilities for leadership in policy development, resource allocations, applications of program and project criteria, and the GEF system for monitoring, evaluation, and dissemination;

- The inherent conflict in having both the GEF Administrator and the Coordinator for the World Bank's GEF investment projects report to the GEF Chairman who has responsibilities for the World Bank's environmental affairs, GEF operations generally, and the GEF investment operations in the World Bank; and

- Unequal reporting to and communications with the implementing agencies by the Administrator.

Changes in these functions and relationships of the GEF Administrator and staff are essential to improving the effectiveness of the GEF program. They are particularly important for establishing the Administrator's policy leadership and administrative authority in overseeing the work of the GEF as a distinct entity.

UNEP

The main role of UNEP, as one of the agencies implementing the GEF, has been to:

- Play a key role in strategic planning to set the operations of the GEF in the global and national environmental context and to ensure that the global policy framework of the GEF is consistent with the existing and emerging conventions and related legal instruments and agreements;

- Play a key role in helping developing countries define their needs to address global environment issues supported by the GEF;

- Ensure a better focus on high-priority projects in light of their expected global benefits, through identifying a number of GEF projects, participating in project development, providing technical opinions to STAP and the other implementing agencies, and identifying suitable experts to be used by the implementing agencies; and

- Establish STAP made up of experts with a high-level of skill and integrity and facilitate the Panel's work as an independent advisory body by providing secretariat services.

GEF Organization and Staffing Capacities in UNEP

In FY91, UNEP started with two professional staff assigned to coordinate UNEP activities with the activities of the other implementing agencies and to provide the secretarial support to STAP. In addition and without cost to the GEF budget, UNEP contributed the equivalent of about five professional staff to work on GEF projects managed by UNEP, and on the preparation of reviews and technical opinions for all project proposals submitted by the implementing agencies to STAP and the Implementation Committee. By FY93, these positions had grown to 30 positions (workyears) with a projected level of 33 in FY 94 and 52 by FY95.[3] During the pilot phase, three scientific and technical staff positions for biodiversity, global warming, and international waters were set up to liaise with the UNEP Program Office and Regional Offices and to coordinate UNEP input to the GEF project development review process. Current plans call for streamlining internal procedures for review and appraisal of GEF projects, establishing a formal coordinating structure, strengthening the Office of Environment Programme for the provision of scientific and technical support, and strengthening its regional offices to mobilize regional and subregional environmental cooperation in developing and implementing the GEF work program.

The small number of staff directly involved in coordinating the UNEP activities with the other implementing agencies and in supporting STAP performed remarkably well under the relatively unfavorable operating conditions and heavy time pressure dictated by the meetings of STAP and the Implementation Committee. The location of UNEP in Nairobi was a serious handicap for UNEP to operate more efficiently. The sub-standard communication facilities from and to Nairobi, and the demand for frequent travel to meetings that mostly took place at the Headquarters of the World Bank or UNDP, considerably undercut the efficiency of UNEP's work. The staff of UNEP engaged on reviewing GEF project proposals, in addition to tasks related to the UNEP regular program, were less enthusiastic because of a lack of feedback on the impact on project development of their comments. As a consequence, the staff who were supposed to concentrate on supporting STAP and on coordinating the UNEP work with the other implementing agencies were also heavily engaged in reviewing project proposals and in preparing UNEP's technical opinions and positions on these proposals.

UNEP Operations

Strategic planning for the GEF, as understood by the evaluators, was very weak, but it is probably as much UNEP's as STAP's responsibility. The global policy framework for the GEF was in general consistent with the intentions of the biodiversity, the climate and the London dumping conventions, and the Montreal Protocol in spite of serious doubts about the appropriateness of design for a number of projects relevant to these legal instruments. However, it is not clear how much UNEP has actually contributed to this consistency.[4] On the other hand, with a few exceptions,[5] UNEP largely failed to ensure the consistency of the GEF policy framework with other global and regional legal agreements and intergovernmental programs relevant to the GEF focal areas.[6] While UNEP is active in disseminating information on existing and emerging technological developments through its normal programs and activities, no major impact of UNEP on the GEF projects was noted in this regard. UNEP, however, can take considerable credit for organizing, coordinating or supporting research, data gathering, training, and institution building through the GEF projects managed by UNEP. However, UNEP does not seem to have a significant role in fostering these activities through projects managed by the World Bank or UNDP, even in geographic and subject areas where UNEP has a clear mandate from governments and an undisputable advantage over the World Bank and UNDP.[7]

The GEF unit of UNEP has made a concerted effort to facilitate the flow of information to UNEP focal points in countries throughout the world, the NGO community, and government personnel in a number of developing countries. UNEP, through its newsletter, which included information on the GEF and its press releases, has maintained regular contact with its regional offices, collaborating institutions and organizations, country focal points and a wide range of other organizations and individuals. UNEP has also contributed to various regional workshops and seminars designed to inform a wider audience at national and regional levels of the GEF process. It has also, on request, provided detailed information on the GEF to representatives from 39 countries.

Much of this work appears to have been ad hoc, reflecting the limited secretariat resources available in UNEP for this purpose during the GEF pilot phase. From the review of the work of the Administrator's Office—discussed earlier—it appears that that office rather than UNEP took on the main responsibility for information dissemination on the GEF and that the role of UNEP was marginal. There is little evidence available to the evaluators to indicate that UNEP undertook a cohesive and coherent approach to communications and information dissemination during the 18 months following the adoption of the GEF 1991 communications strategy. As a consequence, UNEP information activities have failed to achieve a high level of awareness in the developing countries of either the GEF itself, or the role of UNEP within the GEF.

Similarly, there is little evidence that UNEP contributed markedly to helping the developing countries identify their environmental problems and formulate projects that would be acceptable to the GEF. Instead of focusing on such activities, UNEP developed a large number of project proposals for implementation by UNEP itself. Only five research and study type projects are currently implemented by UNEP in support of the global strategic objectives of the biodiversity and climate change conventions.

Since the Interim Secretariat for the Convention of Biological Diversity had not been formed at the time the biodiversity-related projects were formulated, it could not be directly involved in their development. However, individuals from the ad hoc working groups established by UNEP to prepare the convention and from the panels established in support of the Interim Secretariat were involved at various stages in the formulation of the country studies and global biodiversity assessment projects. The project related to global warming was developed by the Climate Change Unit of UNEP in consultation with the UNEP/GEF Unit and the various working bodies established to develop the Framework Convention on Climate Change.

The development of the biodiversity project concepts and project documents has been undertaken by two units of UNEP: the GEF Unit and the Biodiversity Unit. Although the

Biodiversity Unit will be in charge of implementing all of the biodiversity projects, due to the separate development of these projects, the substantive activities of individual projects are less well integrated than is desirable,[8] the potentially very significant synergistic effect of the projects may not be achieved, and the overall cost-effectiveness of their implementation may be considerably diminished.

One of the major responsibilities of UNEP was to establish STAP and to be the STAP secretariat. The latter task mainly consisted of organizing and logistically supporting the meetings of STAP, providing documentation for these meetings (including the UNEP reviews and comments on all project proposals), and assisting STAP in preparing its reports and other outputs. The documentation prepared by UNEP for the STAP meetings was generally considered by members of STAP as useful, although the UNEP comments on other agencies' project proposals were not always appreciated by these agencies.[9] UNEP's logistic support of the STAP meetings, in particular travel arrangements for the STAP members and timely distribution of meeting documents, was initially less than adequate.

STAP

In late 1990 and early 1991 proposals for potential members of STAP were sought by UNEP from the participants. The list of potential STAP members was prepared by UNEP on the basis of received proposals and wide-ranging consultations with participants. The list was discussed among the three implementing agencies and an agreement based on compromise was reached among them on the experts to be appointed as STAP members by the Executive Director of UNEP. The first members of STAP were appointed in March 1991; the last of the 15 members (originally set at 12) was not appointed until November of the same year.

The consultations with participants and among the implementing agencies about the membership was not smooth. High-level political pressure was exercised by some participants to secure membership of "their" candidates in STAP, and serious objections raised by individual implementing agencies about the suitability of some candidates had to be resolved.

The organizational meeting of STAP, attended only by the four recently appointed members, was held in March 1991, followed by the first regular meeting and the formal announcement of the formation of STAP a month later. Two additional meetings of STAP were held during 1991, three meetings convened during 1992, and two during 1993. In addition, there have been several meetings of ad-hoc working groups established by STAP to deal with specific GEF-related issues. At present STAP has 15 members with general and specific expertise in the four focal areas of the GEF, including one expert on international law and one economist. All meetings after 1991 have had additional "guest experts," mainly in the field of biodiversity, in order to broaden STAP's expertise in areas where it was not strong enough.

Based on their Terms of Reference (see Box 9.2), STAP's activities focused on:

- Formulation of generic and specific criteria for eligibility and priorities for selection of projects for GEF funding (draft in late 1991, revised in early 1992; endorsed by participants in May 1992);
- Preparation of "analytical frameworks" for the projects in the four GEF concentration areas (drafts presented to the participants in December 1992 and May 1993; last draft considered at STAP meeting in September 1993);
- Compilation of a roster of experts which could be used by STAP and the implementing agencies in the identification, appraisal, formulation, development and implementa-

Box 9.2: Scientific and Technical Advisory Panel (STAP)

Terms of Reference

According to the "Provisional Terms of Reference," STAP was established with the following main purpose:

- to advise the implementing agencies on generic technical issues related to the implementation of environmental projects and programs under GEF;
- to provide the implementing agencies with priority criteria for projects and programs in relation to global environmental objectives; and
- to advise on technological options and their cost effectiveness for addressing key environmental issues in countries where projects are planned.

STAP was expected, inter alia, to:

- discuss the appropriate actions needed to address problems in the four areas of focus of the GEF...and may also consider whether other topics should be incorporated into GEF;
- consider in each area of concentration the state of scientific knowledge, the availability of new technologies and their suitability for application in particular country settings, and the relative priority of different actions with the expectation that a set of guidelines and criteria will emerge from these discussions; and
- regularly review evaluation and performance reports on the implementation of activities supported by GEF.

tion of the GEF projects (last draft considered at STAP meeting in September 1993); and

- Review of project proposals against eligibility criteria for GEF funding, assigning priorities to the proposals, and analyzing the portfolio of projects in the four focal areas.

The analysis of the scientific and technical merits of individual project proposals considered for the GEF support, of their eligibility for GEF funding, and of the priority which should be assigned to them, was taking up most of STAP's time. The role of STAP in reviewing individual project proposals was repeatedly questioned by the World Bank, and UNDP. However, STAP by assigning priorities to the reviewed proposals, had a very positive, almost decisive influence on the elimination of unsuitable and some of the low priority projects. However, STAP's comments and suggestions have not contributed significantly to the improvement of project designs, because in most cases the comments and suggestions were either ignored or taken into account only cosmetically by the implementing agencies. The screening of the project proposals through the meetings of STAP, and the attendance of STAP's Chairman and Vice Chairman at the meetings of the Implementation Committee, were the only steps involving STAP substantively in the project development cycle. STAP had no influence on, or insight into the development of the projects before or beyond these steps, in spite of its Terms of Reference envisaging that it should "regularly review evaluation and performance reports on the implementation of activities supported by the GEF."

Aside from sporadic attempts to define some of the elements which may form a strategy in the four focal areas of the GEF, STAP did not succeed in elaborating a comprehensive strategy which would have guided the GEF. The analytical frameworks prepared by STAP as documents outlining the strategies, principles, criteria, and procedures that could be followed in the focal areas, are still drafts and do not provide in their present form a comprehensive and fully satisfactory response to the needs of the participants and the implementing agencies. The lack of an overall strategy with well-defined program priorities resulted in a portfolio of projects that primarily reflect the interests of the implementing agencies and largely do not address the most critical issues in a credible way. To a large extent STAP should not be criticized for this situation. Starting from its first meetings, STAP was confronted with high pressure from the implementing agencies which were keen to obtain STAP's endorsement for their project proposals even before STAP had had enough time to develop any meaningful strategy, and to define priorities and criteria which had to be fulfilled by projects eligible for the GEF support.

In general, STAP was established too late to influence decisively project development in the early work of the GEF. Under the pressure from the participants and the implementing agencies, the first tranche of projects, engaging 36 percent of the GEF total funds, were endorsed by the participants without the benefit of STAP's systematic views. The drafts of the STAP guidelines were tested on the second tranche project proposals only, with the result that the majority of the proposals (24 out of 41) were found by STAP to be of low or no priority for the GEF. However, in spite of their ranking by STAP, 11 of the projects given low or no priority ratings were included (in addition to the three proposals not reviewed by STAP) into the work program of the second tranche. The total amount of funds engaged by the first two tranche projects reached 63 percent of the GEF total funds.

According to the participants' recommendation, for each project proposal the implementing agencies should have invited at least one expert from the roster to give a technical opinion before the proposal enters the GEF project cycle. However, the roster in its present form does not meet the full requirements of the implementing agencies and therefore has a limited value.

The Chairman and the Vice Chairman of STAP regularly attended and reported orally and in writing on the activities of STAP to the meetings of the participants. These reports were well received and appreciated by the participants because they provided the necessary proof that an independent and competent body is behind the scientific and technical issues dealt by the GEF.

The expenses related to the operations of STAP, including those incurred by UNEP functioning as the secretariat of STAP, were covered by the GEF. In addition to travel, subsistence, and other costs related to the work of STAP members, the GEF funds were used to provide modest honoraria to the members.

Under the given difficult circumstances, on balance the positive achievements of STAP far outweighed its shortcomings during the pilot phase. This success of STAP is largely due to the skillful and aggressive but tactful leadership provided by its Chairman. The independence, integrity, and competence of STAP was a great asset of the GEF, and it is the view of the evaluators that a professionally strong and independent body such as STAP is essential for the future of the GEF in order to:

- Provide the participants with advice on a scientifically, technically, economically, socially, and legally sound strategy; and

- Serve as an impartial overseer of the implementation of this strategy.

UNDP

GEF Organization and Staffing in UNDP

Initially, GEF affairs in UNDP were handled by a senior environmental advisor and a forestry expert working in the Environment and Natural Resources Group (ENRG), which organizationally falls under the Bureau for Programme, Policy and Evaluation (BPPE). During 1991, the number of UNDP staff working on the GEF initiative expanded to five and, in January 1992, a separate unit was formally established within the ENRG with 16 extra-budgetary positions, including four positions for Regional GEF Coordinators.

Responsibility for managing UNDP/GEF Trust Funds rested with the Director of the BPPE until March 1992, when it was delegated to the Manager of the ENRG. An Executive Coordinator for the UNDP/GEF office was appointed in early 1993 and the responsibility for the Trust Funds was turned over to him in June. As of November 1993, UNDP staff includes 25 full-time positions, of which 14 are professional and 11 support staff. Ten positions come directly under the GEF core unit; the remaining are attached to the Regional Bureaux (with the exception of the SGP). In addition, there are 24 staff years of consultancies. It is anticipated that ten positions will be created in 1994, raising the total GEF staff to 35, and to 30 for consultancy years[10] in preparation for the follow-on phase. The projection for FY95 provides for a further increase to 39 positions and 56 consultancy years.

Under the central coordination of the GEF core unit, GEF operations are decentralized to the Regional Bureaux for Africa, Arab States, Asia and the Pacific, and Latin America and the Caribbean, and the Division for Europe and the Confederation of Independent States, each of which has a GEF Regional Coordinator reporting to both the Regional Bureaux Directors and the GEF Executive Coordinator. The various Bureaux are also involved in GEF strategic decisionmaking through GEF Focal Points, normally the Bureaux Deputy Directors. A GEF Coordinator in the NGO Division of the BPPE is responsible for supervising the SGP.

Other organizational units participating in the GEF effort are the United Nations Sahelian Office, which has enlisted GEF funding for two of its projects and the Division for Global and Inter-Regional Programmes, which oversees the six global projects in the GEF portfolio. The Office for Project Services (OPS) provides the GEF with administrative support under the umbrella project for program development, particularly in recruiting consultants. Operational links exist with several central finance and administrative services of UNDP.

GEF Operations and Absorptive Capacities in UNDP

UNDP is looking forward to the prospect of expanding its GEF programming effort under the upcoming GEF replenishment exercise. The GEF operational phase represents an opportunity to broaden UNDP influence in a high-profile international initiative, significantly increase the agency's project-related funding, and cover the major portion of administrative costs via the GEF reimbursement route—all while helping to slow global environmental degradation. In spite of the attractiveness of the replenishment exercise, however, a serious dialogue is under way within UNDP on how best to prepare organizationally for the GEF operational phase.

At a pre-planning session for the GEF in 1990, it was assumed that UNDP would receive about 5 percent of the new Facility's resources. Currently, the UNDP/GEF portfolio is valued at

US$242.5 million and represents 34 percent of the financial resources available during the GEF pilot phase. This programming feat has been due largely to the efforts of a handful of UNDP staff and did not come without costs to the agency.

In recent months, signs of fatigue and stress have started to surface as the UNDP/GEF staff try to move approved projects into implementation while building up a project pipeline. It has become clear to all that some organizational and staff adjustments will have to be made before UNDP moves into the GEF operational phase. The routine of 12-hour workdays simply cannot be sustained.

Early in the GEF initiative, the GEF Chairman indicated that funds from the GEF funding pool would not remain available unless they were firmly committed[11] during the three-year pilot phase. In effect this meant that all projects would have to be approved by the participants no later than December 1992. UNDP staff realized that they would not be able to make a significant drawdown on GEF resources if the UNDP preferred time-consuming and "bottom-up" approach to project development was used. Under this approach, most of the responsibility for project processing resides with UNDP field offices and the headquarter area offices. The consensus was that the GEF core staff, including the GEF Regional Coordinators, would have to assume a strong advocacy role and, in effect, carry much of the project development load if program delivery targets were to be met.

The concentration of responsibility in the hands of a core staff in the Headquarters over the past two years has led to a perception of many UNDP field offices that the GEF program was "Headquarters driven" and in a number of recipient countries that it was "donor driven."[12] But the perceptions are not the important thing—they can be changed. What matters is whether a sufficient sense of ownership of GEF pilot phase projects has been built up at the country level to guarantee supportive action when these activities start experiencing inevitable implementation travails. Only time will tell.

Capacity Issues within UNDP

In reviewing the UNDP/GEF experience, three issues came to the fore. *First, the UNDP/GEF project workload needs to be "mainstreamed" within UNDP* as quickly as possible. This is required not only to manage the GEF workload (it has mushroomed beyond the capacity of the GEF core unit) but also to bring the GEF initiative into conformity with the agency's thrust of moving as much program responsibility as possible to the country level. *Primary responsibility* for GEF project development and implementation monitoring should rest with the UNDP field office. The addition of 41 field office positions ("sustainable development specialists"), recently authorized by the UNDP Governing Council, should help facilitate the GEF mainstreaming process.

It should be recognized, however, that even with these added positions, UNDP staff in field and Headquarters area offices will remain overburdened. UNDP should experiment with assigning GEF Project Officers from a variety of offices (for example, nationals, field office staff, United Nations system agency staff, Headquarters staff or consultants) to undertake the task of nurturing GEF projects from the concept stage through the various steps of processing, approval, and, whenever possible, implementation. Training programs will have to be developed to sensitize the Project Officers to their new GEF responsibilities.

Second, there is a need to "reinvent" the UNDP/GEF core office to bring it in line with its mandate of coordinating GEF affairs within the agency. Staff will have to switch over from "doing" to facilitating the doing by others. This will entail, first of all, staying abreast of the technical developments in the GEF focal areas to assess implications for GEF strategies. Over the past two years, the UNDP/GEF core staff have been so swept up in processing and packaging that they have not had sufficient time to reflect on substantive-content. Immediate priority will have to be given to setting up a project information system, an urgent and overdue necessity. Attention should be given to qualitative information as well as statistical data so that projects can be monitored and lessons-learned material extracted on both process and impact-related issues. The information system should be developed in close collaboration with the GEF Secretariat and the World Bank to enhance consistency and avoid undesirable redundancies.

Clearer technical and project criteria will have to be devised to guide area office and field staff in the selection and formulation of GEF proposals. Regional workshops will have to be conducted periodically by core staff not only to impart new concepts and techniques but to gain insights from attendees on the kinds of obstacles they are facing in trying to advance GEF objectives and implement projects.

Third, UNDP needs to decide whether it wants to continue the across-the-board technical coverage that it has attempted to provide during the pilot phase. The current UNDP/GEF portfolio encompasses three focal areas and consists of activities ranging from methane emission control in China, a management scheme for the Black Sea involving six countries, to controlling exotic aquatic weeds in Côte d'Ivoire. Nobody in UNDP maintains that the agency now has the substantive or technical expertise, either in Headquarters or the field offices, to provide the kind of monitoring and oversight needed to manage such a diverse portfolio.

Some in UNDP still argue for a rapid buildup of staff within the UNDP/GEF core unit to permit technical coverage in each of the GEF focal areas. The temptation to do so is reinforced by the realization that most of the costs for the expansion are likely to be absorbed, without a great deal of debate, by the GEF Trust Fund. Others will quickly point out that a persistence in trying to maintain multifocal coverage will place an increasingly heavy strain on the agency's already overburdened mainstream operations.

Program focusing has been an elusive goal within UNDP, particularly over the past decade, according to a number of agency-sponsored evaluations. A proliferation of program initiatives has left many field program staff (and their area office backstops) with an unmanageable project workload. The cumulative processing requirement for these activities has become so time-consuming that field officers feel they are not giving adequate attention to crucial capacity building issues that threaten to undermine project success.

With the GEF pilot phase coming to a close in June 1994, senior UNDP management has an opportunity to tighten the focus of the agency's participation in the GEF initiative, thereby devolving less workload on the agency's already overstretched program officers and allowing them more time to attend to currently neglected substantive concerns.

Each of the GEF focal areas involves different kinds of in-country policies and institutions and gives rise to different kinds of projects. A strong case can be made for determining in which of these focal areas UNDP has the most comparative strength and concentrating the agency's energies in that area. By trying to build up a world-class reputation for expertise in one of the GEF focal areas, rather than spreading its limited energies through multifocal coverage, UNDP stands a better chance of making a real difference on the global environment front.

The World Bank

The GEF in the World Bank Organization
The GEF investment operations within the World Bank involve (a) the Global Environment Operations Coordination Division (ENVGC); (b) the Technical Department (TD) and Regional Environment Divisions; (c) the Country Departments (CDs) and Sector Operations Divisions (SODs); and (d) the participation of other divisions within the Environment Department (ENV) and the World Bank generally.[13]

The ENVGC is within the World Bank's ENV now under the newly created position of a Vice President for Environmentally Sustainable Development. The Global Environment Operations Coordinator is the chief of the ENVGC and acts as Secretary of the Global Environment Operations Steering Committee. This committee is comprised of either Senior Operations Advisers or TD Directors from the World Bank's six regions who oversee GEF/MP operations in the World Bank as an advisory group to the Director of the Environment Department, who is Chairman of the GEF.

The World Bank/IDA projects and GEF projects and components are developed and processed by the CDs. In most cases, the TMs are members of the appropriate SOD within the country department, although in some cases the TM may be drawn from another division or department. The time spent by the CDs and other World Bank departments on GEF activities is charged back to the GEF budget through the World Bank-wide Time Recording System.

At the request of the Global Environment Operations Steering Committee, the regions have identified Global Environment Focal Points in each CD and TD to serve on regional teams in consultation with the newly appointed GEF Regional Coordinators. The teams will assist the regions with planning and development for the GEF work program and budget and with operations coordination.

Other organization units involved in GEF activities are the other divisions of the ENV (the Office of the Director; Land, Water, and Natural Habitats; Pollution and Environmental Economics; and Social Policy and Resettlement). They are frequently involved in GEF policy, strategy, and program review and development. Also the Office of the Legal Adviser, Environment Affairs, within the Legal Operations Divisions coordinates GEF legal matters and supports the legal counsel assigned to each GEF operation. The International Finance Corporation (IFC), a World Bank affiliate, maintains an Environment Unit within its Technical and Environment Department, which coordinates GEF activities with the IFC. Finally, the Trust Funds Administration Unit within the Controller's Department handles the financial management of the GET, including the budgets of the Administrator's Office and the other implementing agencies, and the allocations to the other implementing agencies (see below).

World Bank Staffing Capacities for GEF Operations
The World Bank had already appointed an additional 21 staffmembers by FY92 to manage the growth of its GEF pilot phase work program, up from a single position at the midpoint of FY91 when the first tranche of projects was identified. In addition to the World Bank GEF staff, 24 staff years of long-term consultants had been employed to work on the GEF, making a total staff equivalent of 45 full-time positions. Nine of these positions were assigned to the ENVGC, including four professional staff, two support staff and three consultants; the remaining 36 positions, or 80 percent of the total, were deployed throughout the regions and other departments, including 11 professional staff, four support staff, and 21 consultants.

At the present time (FY94), pending the restructuring and replenishment of the GEF, the total number of staff and consultants remains almost the same at 43 positions; however, 16 of these positions (37 percent) are assigned to the ENVGC, and only 27 (63 percent) are deployed elsewhere in the World Bank. If the restructuring and replenishment of the GEF go ahead as expected, the World Bank foresees a doubling of its GEF staffing capacity to a total of 90 positions by the next fiscal year (FY95), with an increase of the staff deployed outside the ENVGC to 70 positions (78 percent of the total). This would increase the World Bank's share of the total GEF staff and consultants from 27 percent at present to 36 percent by next year. This increase reflects an anticipated two-fold increase in the level of activities in the next phase as well as the support for projects from the pilot phase.[14]

Operating Relationships

One of the key objectives of the GEF is to promote more participation in and "ownership" of the projects through more decentralized decisionmaking at the country level. This effort has been a mixed success at best. The GEF working relationships within the World Bank are somewhat analogous to those between the World Bank and the recipient countries, with a tendency for GEF activities to become "donor driven," with too many decisions being made at the center and too little "ownership" at the working level, that is, with the TMs. This is due partly to the extraordinarily high personal motivation and intellectual capacity of the Global Environment Operations Coordinator himself and partly to an unfortunate tendency on the part of too many of the TMs to look upon the GEF simply as a source of a little additional grant financing to supplement—and make "greener"—their regular World Bank projects, leading them to take less initiative in making decisions and creating a power vacuum that the ENVGC is then forced to fill. This tendency is exacerbated by the prevalence of negative TM attitudes toward working on GEF projects, due to the lack of perceived career incentives for doing so and the much greater inputs of time and effort believed to be required.

Thus, the World Bank's GEF organization has evolved around a kind of "star man" coordination style, with the Coordinator at the center and the TMs at the points. This centralization and consolidation has been reinforced by the recent relocation of the Regional Coordinators' positions from the REDs to the ENVGC, making them essentially "line" extensions of, and support for, the role of the Coordinator, rather than "staff" functions within a matrix organization, as in the past. This centralization appears to make sense, in that it gives the Regional Coordinators a more substantive role and further augments the ever-stretched management capacity of the Coordinator.

The GEF has suffered from being treated as either an add-on or a minor sideline to the World Bank's regular lending and has suffered from the same preoccupation with rapid project approval. The GEF has inherited not only the World Bank's comparative advantages, but also its weaknesses. This tendency has been particularly unfortunate in the case of the biodiversity projects, which differ and should differ greatly from the World Bank's normal agriculture, forestry, fishery, and rural development operations in their needs and timing and cannot easily be blended with staff work on large lending projects.

Absorptive Capacity

The guiding principle underlying the division of labor among the three implementing agencies was "comparative advantage." The GEF was supposed to benefit from the comparative strengths of the three without being subject to their comparative weaknesses. The World Bank's forte was to have been the "management of the project cycle" and the development of "investment projects," while UNDP was to handle "technical assistance and training." In fact, however, the World Bank's GEF portfolio includes as much, if not more, financing of technical assistance and training as the UNDP portfolio.

If, as now appears likely, the scale of replenishment is also to increase to twice that of the pilot phase, the number of projects will have to increase even more. In this context a doubling of the World Bank's staffing capacity for GEF operations seems barely sufficient. And, if the GEF is to manage even greater additional resource flows under the conventions, an increase in capacity will again be required within another year or two.

There are increasingly evident diminishing returns from an organizational strategy based on adding more and more new initiatives like the GEF to the work load of already hard-pressed incumbent staff including TMs, many of whom are very reluctant to have anything to do with GEF projects. Unless and until the general malaise of "initiative overload" in the World Bank's operations divisions can be overcome, it will remain unwise to keep counting on the World Bank's absorptive capacity to accommodate additional tasks without deterioration in quality and effectiveness.

Finally, the career incentive for World Bank operations staff are geared to an "approval culture," which militates against both smaller projects and time-consuming activities such as those required to achieve greater in-country consultation, participation, and "ownership" of projects.[15] Thus, there is pressure on the TMs to design and deliver larger projects that can be approved more quickly, while staff project supervision inputs during implementation are severely constrained. In this tightly constrained working environment it is only the truly dedicated TMs who willingly spend the necessary time and effort to generate high-quality GEF projects, even at a possible cost to their career advancement.

Collaboration among the Implementing Agencies

From the beginning, it was agreed that no new organization would be created and, consequently, close collaboration among the three implementing agencies would have to be an "important feature of the Facility."[16] The GEF participants urged that there be "a minimum of formal interagency agreements with heavy emphasis on consensus building and informal working arrangements." The World Bank, as the GEF trustee, expressed the hope that the new forms of collaboration would be successful so that they could "be extended into other areas where the usefulness of technical assistance provided through the United Nations system can be enhanced through closer linkages to World Bank-financed investments."[17]

Procedural directives were issued early on by UNDP and the World Bank—the two agencies primarily responsible for the development of GEF projects—to highlight the need for and facilitate close working relations between the two agencies. Even with this procedural guidance, however, the experience with GEF operations over the past two years indicates that World Bank and UNDP staff have had considerable difficulty working collaboratively within the GEF framework.

For one thing, the two agencies have been unable to reach agreement on who is responsible for the provision of "technical assistance" within the GEF program. The GEF Enabling Memorandum had suggested that "the UNDP will play the lead role in coordinating technical assistance." World Bank representatives interpreted this to cover only its "free-standing" technical assistance activities and not the technical assistance or training components that are regularly included in many World Bank investment projects.

World Bank representatives agreed, however, "to encourage their TMs to consult with UNDP colleagues who could be invited to participate in the preparation of the technical assistance and training components." But UNDP saw its mandate being diluted and insisted, unsuccessfully, on "the right of first refusal to participate in the preparation, appraisal, and supervision of the technical assistance and training components" in World Bank-sponsored GEF projects. Although there have been a few instances where UNDP staff participated in the preparation of World Bank projects, the bulk of World Bank projects during the GEF pilot phase have been developed without UNDP involvement. Another area of controversy between the two agencies has been the PRIF. Assigned the lead role for coordinating the PRIFs in the GEF Enabling Memorandum,[18] UNDP staff initiated its review of the PRIFs in mid-1991 and concluded eventually that two of the seven World Bank-sponsored PRIFs should be reconsidered. World Bank representatives not only differed with UNDP reasoning on the merits of these PRIFs but complained about the length of time UNDP had spent in reviewing relevant PRIF documents and the UNDP inclination to initiate de novo reviews on some Project Briefs, related to the PRIFs, which already had the approval of the participants.[19] Rather than continue to negotiate with UNDP staff over the merits of pre-investment proposals, the World Bank decided in early 1992 to establish the PPA to cover its pre-investment analysis requirements under the GEF. This initiative, taken unilaterally by the World Bank, has been criticized by UNDP as an attempt to circumvent GEF procedures previously endorsed under the GEF interagency agreement.

In-country coordination of GEF activities is a third area where the World Bank and UNDP have been unable to work out a satisfactory operating mode. The Tripartite Agreement indicated that "the UNDP Resident Representative would play a key role in coordinating activities at the country level [to] ensure that the programs being undertaken by the GEF are complementary with other development activities."

Although a few World Bank/UNDP programming missions have been successfully carried out,[20] one cannot point to any GEF recipient country where the UNDP Resident Representative is now playing the coordination role envisaged in GEF planning documents. Furthermore, it is unlikely that UNDP Resident Representatives will ever be in a position of "ensuring complementarity" partly because this would require UNDP access to World Bank-associated project documents—access that the World Bank feels it cannot grant on the grounds of Bank/country confidentiality.

The GEF Implementation Committee was foreseen as the principal mechanism for ensuring working-level coordination among the GEF implementing agencies. "The operational staffs of the agencies will meet regularly...in order to achieve complementarity, coherence, and cost effectiveness."[21] The Implementation Committee, with a revolving chairmanship and decision-by-consensus, has met 11 times since December 1990.

During its early sessions, members of the Implementation Committee strove earnestly to examine the merits of each of the proposals submitted by their parent agencies.[22] Without a GEF strategy or clear project eligibility guidelines, however, it became increasingly difficult to reach a consensus on which projects should be included in the GEF work plan. Firmly rooted antagonisms among the implementing agencies started to surface and the Implementation Committee process became "highly competitive and occasionally acrimonious."[23]

A way out of the impasse was found late in 1991 when of the participants agreed to an "indicative target ratio" for the allocation of GEF resources among the implementing agencies—with 70 percent of the funds going to investment projects and the remaining 30 percent to technical assistance projects. This pre-allocation of resources helped to cut down on much of the wrangling within the Implementation Committee while preserving the appearance of a fully functioning proposal review unit within the GEF system.

In its project review capacity, the Implementation Committee has increasingly settled into a relatively orderly, non-combative routine with the limited objective of ensuring thematic and geographic balance within the GEF portfolio. To some, the GEF experiment—of testing the implementing agencies' capability for collaborating on a substantive review of GEF proposals—was short lived and inconclusive; to others, including the evaluators, the two-year experiment indicated that the GEF project review system should be changed.

Why has it been such a struggle to promote agency collaboration within the GEF framework? On one level, namely, evidencing genuine interest in global environmental preservation, the implementing agencies have been able to do so in an harmonious and productive fashion. On another level, however, the competition between the World Bank and UNDP has been keen. The struggle has not been over programming strategies, meeting modalities, and certainly not the PRIFs—these have been only symptoms.

The competition in the GEF has been about power, control, money. The World Bank is accustomed to having an abundance of these and, with encouragement from the founding donors, designed the GEF in such a way that the World Bank would control the global initiative, receive the lion's share of its resources, and, in the process, help mitigate criticism alleging World Bank insensitivity to environmental concerns.

Those in UNDP who were the driving force for the agency's entry into the GEF[24] also had high expectations for the new initiative. They viewed it as a promising opportunity to enhance the UNDP profile and influence on the international development scene by significantly increasing the UNDP budget and, in turn, the agency's programming reach.[25]

Given the agencies' motivation for participating in the GEF, it was inevitable that a spirit of rivalry would emerge over the allocation of GEF resources. But it was not the institutional competition in itself that worked against the model of collaboration outlined in the GEF Enabling Memorandum. Competition can be healthy and productive. The problem resulted more from the absence of an *independent arbiter* with the responsibility for determining, on the basis of the merit of proposals and institutional track records, which of the projects submitted by the competing agencies should be funded. The absence of an arbiter led to intense lobbying of the participants by the competing agencies "to keep the playing field level."

The independent arbiter function had been excluded from the GEF configuration in the interest of avoiding "new bureaucratic structures" and saving money. Instead, a diffusion-of-responsibility model was decided on, which, in retrospect, has proven inadequate to the task and quite costly. The Implementation Committee, made up of representatives of competing agencies, has been unable to deliver unbiased recommendations on project proposals. STAP unit has played only an advisory role in the resource allocation process. The GEF Chairman/Administrator unit lacked the mandate independence as well as the technical competence to assert itself in this important area.

The Participants' Assembly, the ultimate decisionmaking body for the GEF, provided arbitrary funding parameters, in the form of the 70–30 percent guideline. The Assembly left unresolved, however, the issue of ensuring that proposals, submitted by competing agencies, undergo an unbiased and in-depth review to determine their conformity with GEF objectives and criteria.

What is needed, then, in the GEF configuration is a body or secretariat, with an independent base and appropriate staffing, which can turn to a variety of potential implementing organizations for assistance in carrying out the GEF mandate. The implementing organizations—which could include national governments, multilateral banks and agencies, consortia of nongovernment organizations, consortia of community organizations, and private enterprises—will be chosen strictly on the basis of the organization's proven ability for carrying out the kinds of activities that can advance GEF objectives.

The competition among organizations for GEF resources that results from this more open process, far from being dysfunctional, should contribute to the making of a better GEF product. However, agencies should not allow themselves, under the next phase, to get swept up in a GEF allocation "ratings war" that does not allow sufficient time for in-country gestation of the innovative strategies and proposals. The experience of the last 20 years suggests that aid interventions that are externally driven tend to run out of steam well short of the impact point.

The World Bank as the GEF Trust Fund Administrator

The World Bank's role as the GEF Trust Fund administrator was established on March 14, 1991, when the Executive Directors of the World Bank approved Resolution No. 91-5 to establish the GEF. The Facility includes the Global Environment Trust Fund, Cofinancing Arrangements with the Global Trust Fund, and the Ozone Trust Fund for World Bank projects. The World Bank manages a large number of trust funds—about 1,600—most of which are small and associated with individual donors and specific projects. However, a few, like the Consultative Group for International Agricultural Research Trust Fund and the Onchocerciasis (River Blindness) Trust Fund, provide a funding mechanism for a group of donors with the executive authority and responsibility within the World Bank or provided by a United Nations specialized agency, such as the WHO for the Onchocerciasis Trust Fund. The GET has been characterized as similar to the IDA arrangement with a three-year replenishment cycle, World Bank management of the donor contributions in trust, and World Bank administrative responsibility for the disbursement of the trust funds. However, the GET differs, primarily owing to the tripartite (UNDP, UNEP, World Bank) direction of GEF operations and sharing of GEF funds.

The Secretariat and the World Bank's Trust Fund administration staff in the office of the Vice President and Controller have, informally, the principal responsibility for management oversight for the GET. The allocation of GET funds are set forth in semiannual work programs with specific amounts set for each program and project by implementing agencies. The participants' review of each work program constitutes a form of authorization of GET funds for each project or activity. Advances are then made to UNDP and UNEP, and they provide the GET with quarterly reports on project approvals and commitments and disbursements by activity. Within the World Bank, sub-allocations are made to the Regional Bureau for their project activity. When projects are approved by the management of each implementing agency, they are recorded as approved commitments. Each implementing agency administers the GET funds according to its financial procedures. UNDP and UNEP have set up their own GEF Trust Fund mechanism to receive and disburse funds transferred from the GET. Funds provided under cofinancing arrangements follow the fiscal procedures set forth in each cofinancing agreement. Where these funds are provided to the World Bank to administer, they are placed in a special sub-trust fund for the project under the GET.

The GET is audited in the fall at the end of each fiscal year (June 30). The most recent audit of the GEF was completed on October 22, 1993. In addition, the World Bank's internal auditors have carried out a program audit of the World Bank's GEF operations. (This audit was made available to the participants in July 1993.) The UNDP/GEF was audited in CY92 for CY91 and in FY93. UNEP operations have been audited annually by the standard United Nations auditing procedures.

At the present time, the World Bank is revising its Operational Directive for its administration of Trust Funds. Formal procedures have not been set up for the allocation processes for the GET; however, standard World Bank procedures are generally followed based on the outcomes of the participants' authorizations. Periodic advances are made to UNDP and UNEP, upon their requests to the Trust Fund office. Similarly, advances are made for administrative costs according to the agency budgets submitted to the participants each spring.

Generally, the Trust Fund arrangement with the World Bank has been found to be satisfactory and well administered. It is, however, essentially a financial management arrangement as the Trust Fund Administration and the Secretariat do not have formal authority to examine and approve the allocations requested by the implementing agencies for program and administrative expenses. They are able to monitor and verify fund allocations and their uses within the context of the funding presentations to the participants in the Reports of the Chairman. After the allocations are made, accountability rests with the GEF Coordinators in the World Bank and UNDP; and with the Office of Environmental Programs in UNEP.

Cofinancing Arrangements

Chapter 2 provides an overview of the status of cofinancing of GEF projects. This section takes a preliminary look at the merits of the cofinancing process for the GEF. The views are preliminary, owing to the early stages of the GEF cofinancing experience. Cofinancing, in the original planning for the GEF, was viewed as a potentially major source of funds in support of the GEF objectives. This resource has not materialized as rapidly as had been expected but continues to be an important supplement for GEF programming. Cofinancing as an umbrella term covers various formulations in practice in the following categories: (a) contributions to a special GEF project trust fund to be administered by the implementing agencies; (b) the donor's financing of a specific component of a GEF project but administered by the donor; and (c) the donor's financing of a project that satisfies GEF criteria, is reviewed by STAP, and accepted by the participants but is identified, designed, and implemented by the donor without implementing agency involvement (parallel financing). This results, in effect, in the donor becoming an implementing agency. As of June 30, 1993, 52.9 percent of the cofinancing arrangements fell into the first category; 5.9 percent into the second; and 41.2 percent into the third.

What are some of the main pros and cons associated with the cofinancing process? There are several positive features of cofinancing for the GEF:

- Donors are encouraged to provide additional funds that otherwise would not have been available for GEF-type activities, which may increase the catalytic effect of the GEF in generating resources for the global environment;

- As experience continues and the procedures are worked out, cofinancing may become attractive to more and more donors, broadening the base of international support for protecting the global commons;

- The donors that select the cofinancing route have the opportunity to meet domestic foreign policy and environmental priorities and still support programs for the global environment;

- Some of the project development and administrative burdens can be shared, reducing the demands on implementing agency staff work; and

- Donor participation in project design and implementation can lead to improved project development, as one donor has pointed out.

However, there are several negative aspects that have been cited about the cofinancing approach:

- It limits the financial resources that are directly available to the implementing agencies, thus limiting their flexibility in administering these funds;

- It has the potential for distorting the GEF priorities in both focal and geographic area priorities;

- Where the funds are not available in a special trust fund to be administered by the implementing agencies, it adds a cumbersome administrative process for designing and implementing GEF projects;

- The task of working out cofinancing agreements has been time-consuming and burdensome to the implementing agencies, particularly in instances where the cofinancier's requirements are relatively inflexible;

- It adds an element of uncertainty as to whether and when the cofinancing of a particular project will be available, complicating the final packaging and negotiation of the GEF project;

- It adds additional work loads and possibly confusion for the recipient with two or more donors being engaged;
- The cofinancing funds may not be additional to the country or global environmental issues as they fall within the donor country programming budgets; and

- Although some of the cofinanciers have agreed to compensate the implementing agency for administrative costs associated with project development, not all have, nor are the amounts fully reflective of the total costs to the implementing agency.

Some donors welcome the opportunity to contribute to the GEF core trust fund. This enables them to identify with a major global initiative without the burdens of program development administration. Others prefer to contribute to the Trust Fund and also cofinance. And still others confine themselves to cofinancing (including parallel financing). The most important consideration in weighing these pros and cons and alternative approaches is to ensure the integrity of the GEF objectives and strategies and the careful coordination of project development procedures.

The Cost of Administering the GEF Pilot Phase

One of the questions of special interest to the participants[26] is the cost of administering the GEF.[27] The administrative cost for the pilot phase extends from fiscal year FY91 through FY94. FY91 was the year during which the GEF was organized and the first tranche of projects

TABLE 9.1: GEF PILOT PHASE ADMINISTRATIVE EXPENDITURES: FY91-99 BY FUNCTION (US$ MILLION)

Agency	*FY91–94*	*FY95–FY99*	*Total FY91–99*	*GEF II Preparations*	*Total minus GEF II*
UNDP	13.6	20.5[1]	34.1	3.7	30.4
UNEP	5.3	2.0	7.3	0.1	7.2
World Bank	34.0	18.8	52.8	5.0	47.8
GEF Administration	8.8	2.0	10.8	3.0	7.8
Total Administration Costs	61.7	43.3[2]	105.0	11.8[3]	93.2

1. Includes transfer of US$18.5 million from project costs to administration for comparability.
2. Estimated project supervision costs to completion.
3. Administrative costs for preparations for GEF II.
Source: Technical Note: GEF Administrative Expenses, September 1993.

identified. It included three months of operations after the pilot phase was formally launched in March 1991. However, the costs of administering projects started during the pilot phase will continue for an extended period. This period has been estimated by the GEF administration to be another five to eight years—the time span for most projects of the implementing agencies.

The total administrative costs for the three years of the pilot phase of the GEF will amount to an estimated US$62 million which is charged to the GEF Trust Fund. However, the actual administrative costs are somewhat higher in fact, as this figure does not include (a) administrative costs absorbed by the implementing agencies for some central support services such as UNEP expenditure for supporting services; and (b) administrative expenditures paid by other implementing agencies for GEF projects as part of cofinancing arrangements. No estimate is available for these two items; but they are not likely to alter significantly the total administrative costs.

As the Technical Note on GEF administrative expenditures points out, a more complete picture of the administrative costs of the pilot phase should take into account (a) the administrative costs incurred for pilot phase projects as they are implemented after FY94; (b) less the costs associated with the planning for GEF II; and (c) an adjustment to compensate for the UNDP accounting practice of charging preparation and supervision costs to projects rather than to administration budgets. Table 9.1 shows these adjustments.

With these adjustments, the total administrative costs for the GEF pilot phase are projected to be US$93 million. The adjusted shares by implementing agency are UNEP US$7.2 million, UNDP US$30.4 million, the World Bank US$47.8 million, and GEF Administration US$7.8 million.

TABLE 9.2: GEF ADMINISTRATIVE/WORK PROGRAM COSTS RATIOS (US$ MILLION)

Implementing Agency	*Administrative Costs*	*Work Program*	*Administrative Expense Ratio (%)*
UNDP	30	252[1]	12
World Bank	48	458	10
UNEP/STAP/ Adm. Office	15	38	–
Total Cost	93	748	12

1. L[illegible] the project management costs transferred to administrative costs for comparability.

Table 9.3: Administrative Costs Comparison

Agency	Period	Average Administrative Expense Ratio (%)
IDA	FY80–91	6.4
IBRD	FY80–91	3.0
Asian Development Bank	CY80–90	3.4
African Development Bank	CY80–90	4.2
UK ODA (excluding technical cooperation)	CY80–90	3.6
UNDP (regular) (% of annual expenditures)	CY80–90	31.6[1]

1. According to UNDP's own calculations, the administrative expense ratio for UNDP's program as a whole is 22.6 percent. The figure is arrived at by dividing UNDP's total administrative costs for 1986–1991 by total approved budgets for 1986–1996.

Source: IDA's Administrative Costs, Table 6: Total Unit Cost of Lending, IDA Technical Note No. 7, April 1992, p. 9.

Administrative Costs and the GEF Pilot Phase Work Program

The administrative/work program costs ratios are shown in Table 9.2 for the two main implementing agencies and the GEF pilot phase as a whole. Table 9.3 presents a comparison of these ratios with other development organization. UNEP administrative costs include those of STAP, which serves the overall program; similarly the costs of the Administrator's Office relate to the total program.

The 10–12 percent range for the GEF is substantially higher than was expected. The Report of the Chairman for April 1991 indicated the administrative costs would be about 3 percent. Comparisons are difficult, however, as agencies differ in their scope of responsibilities, their scale of operations, the size of their project activity. For the GEF, the higher average costs for administration may be attributable to:

- The costs of planning and introducing a new and complex global endeavor;
- The special requirements and characteristics of projects in the biodiversity and global warming focal areas;
- The added governance arrangements and interagency coordinating operations such as the Implementation Committee and STAP;
- The additional steps in the project development procedures required for the GEF (STAP and participants' reviews);
- Additional staff time to work with recipients on GEF criteria and project design, in part, owing to the emphasis on innovation; and
- The enlargement of the Administrator's Office, which was set up with two positions and has subsequently grown.

Two important determinants in these ratios are the scale of operations and the average size of projects. For the World Bank (1986–91), IBRD project size averages US$131 million and IDA projects about US$54 million. By contrast, UNDP projects average about US$1 million with the agency administering over 6,000 active projects; 63 percent of GEF projects are under US$5 million. As a rule of thumb, the smaller the project, the higher the administrative costs as a share of the total costs. Economies and efficiencies are desirable at any level, but the determining consideration is the task to be accomplished. For example, technical assistance will be substantially more administratively intensive than capital investment projects if it is to be effective.

Components of Administrative Costs

Apart from examining the overall costs of administration, it may be helpful to examine the main components of the costs. Figures below provide an indication of the shares of these costs for the pilot phase years FY91–99 (less the estimated GEF II preparation costs).

The major components of the administrative costs (total US$93.2 million) are estimated to be:[28]

- US$72.2 million for project development/processing/supervision;

- US$5.1 million for the Coordinator's Office of each implementing agency;
- US$.9 million for central services for legal, financial, personnel matters;
- US$6.7 million for overhead charges for the World Bank and UNDP;
- US$2.3 million for support for STAP;
- US$6.0 million for the GEF Administrator's Office.

The main components of each of these cost items are described below:

Project development/processing/supervision. This item includes the staff time devoted to the identification of projects, preparation of Project Briefs, and review processes leading to project presentations to the Implementation Committee and the participants. It covers staff costs, travel, consultants and external review experts, and meetings with external groups such as the NGOs. Following the participants' authorization, the project development process continues with the steps for project design/appraisal, reviews, and approvals of commitments, negotiations, and supervision of implementation. The costs for this work tend to be higher than for regular programs owing to the time required to educate staff and recipients about the GEF and its special criteria, the additional review steps prior to participants' authorization, and the complexity of the project requirements. The average administrative cost for the 112 projects of US$72.2 million for project development/processing/ supervision is an estimated $645,000 per project for the life of the pilot phase activities.

Coordinators' offices of the implementing agencies. Each of the agencies has set up special staff to oversee the work of introducing and guiding the GEF operations within the agency. These offices carry the main burden of educating the agency about GEF objectives, policies, and criteria; organizing the identification and processing of the projects; planning the allocation of funds among the geographic regions and focal areas; representing the agency at Implementation Committee and participants' meetings; and participating in the considerable agenda on GEF policies and practices within the GEF and with the NGO community. The offices are also active in guiding the project development process to ensure conformity with GEF policies and operations deadlines.

Central services and overhead charges. The central services include: the legal, financial, personnel services that are directly charged to the GEF by each agency. The overhead charge covers agency costs for support services such as office accommodations, office supplies, payroll, travel, and communications. The charge varies by agency according to each agency's policies. For UNDP overhead charges can be broken down as follows: (a) charges for project administrative support a :d monitoring by the OPS, which were set at a rate of 11 percent for FY92 reduced to 6 percent for FY93 but expected to be raised soon to 9 percent; (b) charges for project administrative support and monitoring by UNDP field offices (3 percent); and (c) charges for Trust Fund administration by UNDP central services (0.5 percent). UNEP does not have an overhead charge applied to the GEF, but it absorbs, as noted above, central services, which covers some of the same items. For the World Bank, the "overhead charges" include benefits paid to professional (higher level) and support staff and consultants, office space and maintenance, office supplies, utilities, printing of project documents, library, and so on. Benefits and overhead costs for GEF positions are computed at approximately 103 percent of the Bank's average salary for professional and support staff and at 20 percent of average consultant fees.

STAP. The administrative costs of STAP have changed from 100 percent in FY91 to 50 percent in FY93 of the UNEP administrative budget. These include the consultants' fees, travel, conference arrangements, communications, and documentation work for the 15 members of STAP. STAP costs are estimated at about 3 percent of the GEF pilot phase administrative costs.

GEF administration. An earlier chapter describes the evolution of the Administrator's Office and the functions it performs. The main costs for this office relate to the increasing and substantial demand for communications and documents that were not anticipated initially. Also the participants' assemblies concerned with pilot phase policies and work program authorizations have required considerable staff support, particularly as the number of participants have grown markedly—from 30 to over 70 countries. Travel has been a major item of expense. Also the office has taken on some direct program responsibilities with its work on the PRINCE study.

Concluding Observations on Administration Costs

First, the desire to create "no new organization" or one with "only modest modifications" but using the capabilities of existing organizations seriously underestimated what would be required to organize and carry out the GEF mandate. The presumption was, it appears, that the implementing agencies could absorb most of the additional work requirements into the mainstream of their activities. This has not been the case to date; thus, the higher administrative/work program costs ratios.

Second, there are counterpressures working for and against economizing on administrative costs and lowering the ratios. The World Bank's internal audit, for example, proposes that the average size of GEF "free-standing" projects be increased and others be fully integrated into the processing of associated projects. At the same time, conclusions from the review of projects, particularly in the biodiversity focal area, argue for smaller projects and longer time frames. The evaluators question whether the administrative cost-efficiency aim should override sound project funding practices.

Finally, although the principal officers leading the GEF pilot phase operations are determined to hold down the GEF administrative costs, they also have been operating under exceptional pressures and demands that have, from their perspective, called for additional staff and related administrative costs. Nor is it necessarily in each agency's interest to hold back on receiving supplementary funding for its budget. The GEF does not have, outside of each agency, a rigorous system for administrative budget reviews and allocations with the requisite authority to assess the overall costs of doing business and set limits. The GEF administrative costs increased 20 percent from FY92 to FY93 and an estimated 30 percent from FY93 to FY94. Presumably, these costs for the pilot phase will taper off, although with GEF II beginning this decrease may not be possible. With the projected increases in GEF administrative costs associated with the personnel increases described earlier, it is appropriate for the GEF to have greater central capacity for providing oversight of administrative costs.

GEF Collaboration with Regional Development Banks and United Nations Agencies

Participation of Regional Development Banks (RDBs) and United Nations agencies in the GEF pilot phase has been limited. For investment operations, only one project has been handled by an RDB (Costa Rica Wind Power Project by the Inter-American Development Bank). For technical assistance operations, the Asian Development Bank is serving as the executing agency for the Asia Regional Developing Least-Cost Greenhouse Gas Reduction Plans Project. Several United Nations agencies and departments such as the United Nations Department of Economic and Social Development, the World Meteorological Organization, the United Nations Industrial Development Organization and FAO have been participating during the pilot phase as executing agencies. Representatives from four RDBs met with the GEF implementing agencies in February 1993 to discuss framework agreements between the GEF and RDBs in the future. Framework and Regional Agreements have been drafted and are being considered by the management of RDBs. The World Bank mostly deals with GEF/RDBs relationships. Similarly, 10 United Nations agencies and the implementing agencies had a meeting in March to discuss a framework for increased participation of United Nations agencies in the GEF. UNDP is expected to play a facilitating role. However, involvement of international and regional organizations other than the present implementing agencies has not been fully explored, and therefore needs to be addressed in future operations. Each organization's comparative advantage, performance record, and monitoring and evaluation practices would be important aspects of future analysis. The evaluators did not have sufficient time to access the potential contribution of these agencies to the GEF objectives and programs. An in-depth review of this subject would be desirable in the context of the future GEF arrangements before proceeding with formal agreements.

Endnotes

1. Crispin Tickell, "The World After the Summit Meeting at Rio," (Spring, 1993), *The Washington Quarterly*, p. 80.

2. While the implementing agencies have issued various GEF documents, the Administrator's Office has published 23 project documents for the implementing agencies, eight newsletters, the GEF *Quarterly Bulletin* and *Quarterly Operational Summaries*, the GEF brochure of April 1991, and a number of papers related to NGOs, governance, replenishment, PRINCE, and workshop reports (GEF and Desertification, October 1992).

3. Table 2.2. UNEP Staff Resources, "Absorptive Capacities in Relation to the Growth of the GEF Work Program," Technical Note GEF/RE 93/3, September, 1993.

4. UNEP's pressure prevented GEF support being given to ozone protection-related projects in countries that had not signed the Montreal Protocol. Also, UNEP convened a meeting with all the conservation conventions and the GEF implementing agencies in October 1992 in Lausanne where detailed modalities were identified on how the conventions could relate to the GEF.

5. In the case of a few projects related to the Convention on International Trade in Endangered Species of Wild Flora and Fauna.

6. Examples include United Nations Convention on the Law of the Sea, a number of global conventions highly relevant to biodiversity, and the regional seas conventions and action plans.

7. Examples include the project in the Black Sea, and the International Ocean Institute project on training related to the protection of the marine environment.

8. This is particularly true in the case of the country studies and the data management projects.

9. UNEP's multiple role as an agency implementing GEF-supported project as an agency reviewing and commenting on other agencies' project proposals, and as the STAP secretariat, often lead to conflicting situations among the implementing agencies.

10. Table 2.1 UNDP Staff Resources, "Absorptive Capacities in Relation to the Growth of the GEF Work Program," Technical Note GEF/RE 93/3 September, 1993.

11. The understanding was that commitment would be evidenced by an initial disbursement of funds based on a signed project agreement with the host country.

12. However, during their review of project documents, the evaluators came across several projects that reflected strong recipient involvement.

13. CD is for a country or a group of countries; several of these CDs plus a Technical Department make up a Regional Vice Presidency.

14. Table 2.3. World Bank Staff Resources, "Absorptive Capacities in Relation to the Growth of the GEF Work Program," Technical Note GEF/RE 93/3, September, 1993.

15. This tendency is highlighted in the Operations Policy Department's "Effective Implementation: Key to Development Impact," Portfolio Management Task Force Report (Wapenhans Report).

16. *Report by the Chairman to the December 1991 Participants' Meeting*, p. 2.

17. Quote from Ernest Stern's February 22, 1991 Memorandum to the World Bank Executive Directors, which transmitted the GEF Enabling Memorandum.

18. Even though the World Bank ceded to the UNDP the responsibility for the PRIFs, it anticipated from the beginning that it would receive most of the PRIF funds, as an executing agency for the UNDP, because of the relationship between pre-investment and investment (for which the World Bank had the mandate under the GEF). There would have been a conflict-of-interest situation if the World Bank were the reviewing authority for an initiative for which it would be the executing agency.

19. The two most contested PRIFs were for pre-investment work in Kenya and the Congo. It appears to the evaluators that the UNDP did take excessive time, approximately four months, for their review. The UNDP points out that one of the reasons for the delay was the need to involve in-country experts to a greater degree than had been done up to that point in the PRIF preparation.

20. Two joint programming missions were carried out in China and India in 1991. More recently, implementing agency collaboration on the Brazil Biomass activity has been exemplary and could serve as a model for future interagency cooperation.

21. GEF Tripartite Agreement, p. 3.

22. During the early GEF phase, the UNDP and the World Bank experimented with a "clearinghouse approach" whereby the regional counterparts in each agency would try to reach informal agreement, prior to the Implementation Committee meeting, on those project proposals that should receive Implementation Committee endorsement. Although this approach worked fairly well for awhile in the Asia Region, it never gained momentum in the other regions and was dropped.

23. A conclusion drawn in a March 1993 World Bank Internal Audit Report, after its authors had "reviewed the minutes of the Implementation Committee meetings and [held discussions] with observers and participants at [the Implementation Committee] meetings."

24. Throughout 1990 and a good portion of 1991, UNDP senior management was rather cool to the notion of the agency's active participation in the GEF.

25. During the pilot phase, GEF funding forms 10 percent of the UNDP regular IPF budget.

26. The Technical Note "GEF Administrative Expenditures—The Pilot Phase Experience" provides a description of the implementing agencies' procedures for managing and accounting for administrative and project funds. The reader is referred to this document for detailed information on these topics; they have not been reviewed by the evaluators as they are more appropriately covered by the implementing agencies' internal audit arrangements. A fiscal audit of the GET was completed for the fiscal year ending June 1992 and a second audit has been completed in October 1993. Also the GEF/World Bank operations was the subject of an internal audit in March 1993 that has been provided to the participants. The UNDP/GEF was audited in 1992 for CY91 and will be audited in 1994 for CY92 and 93. UNEP is audited annually.

27. The implementing agencies provide the participants at each spring meeting a consolidated budget for administration for the coming July–June fiscal year. At fall meetings, the implementing agencies provide a consolidated estimate of expenditures incurred during the previous fiscal year. *Report by the Chairman to the December 1991 Participants' Meeting*, pp. 20–21.

28. From estimates provided by the GEF Secretariat. The amounts for the functions other than project development have been reduced to exclude estimates of the costs related to GEF II.

Annexes

Annex 1: The Evaluation Work Program

Early Phases of the Evaluation

The initial planning for the evaluation began in March 1993 when the interagency arrangements for the independent evaluation were worked out by the Evaluation Managers from the three implementing agencies. A Terms of Reference (Annex 1a) was prepared for review by the participants at their meeting in Rome in March 1993. The Terms of Reference was amended, at that time, by the participants to ensure the coverage of topics they believed of special importance. Selection of the members of the evaluation teams for UNEP, UNDP, and the World Bank began in March. The members of the Independent Panel of Experts (IPE) were selected and appointed by the GEF Chairman in April.

Guidance from the IPE

The first meeting of the IPE, the Evaluation Managers, and the evaluators took place on April 15–16 to plan their respective roles in the evaluation process. At this meeting, the IPE presented its plan for a three-stage evaluation, outlining the main features for each stage: the Interim Report with a factual review of performance and achievements and findings, the Final Report with an in-depth review of the effectiveness and quality of the portfolio with lessons learned and recommendations, and a third follow-up report, if requested, in 1994 on future directions and alternative scenarios for the GEF. It was recognized that time was short and thus some topics of the evaluation, such at those related to field visits, could not be covered in the Interim Report but would be deferred until the Final Report.

The Evaluation Managers and the evaluators met with the IPE for the second time in New York on July 1. At that meeting, the IPE reviewed the status of the evaluation and outlined the topics that it wished the evaluation to address specifically. The IPE provided guidance on procedural matters. The meeting also provided an opportunity to consider alternative approaches to the Interim Report. The IPE, the Evaluation Managers, and the evaluators were all acutely aware of the shortness of time before the Interim Report would be due, particularly as it would have to be completed in time for implementing agency comment and presentation to the IPE meeting on September 1–2—substantially shortening the time for the assessments and report preparation. As a consequence, it was agreed the Interim Report would cover only those topics outlined for the Final Report that the evaluators believed would be feasible in the time before September 1. A working outline of the Final Report was reviewed by the IPE, which found it broadly acceptable.

As planned a draft copy of the Interim Report was discussed with the Evaluation Managers and the evaluators at the third IPE meeting, September 1 and 3, 1993. The IPE also discussed their expectations for the Final Report. During the meeting the IPE noted that because of the coming meetings of the participants (in September and November) a section with major recommendations on replenishment and restructuring should be included in the Final Report with a straightforward message.

The Final Report was reviewed and discussed in the fourth meeting with the IPE, November 22–23, 1993. The Evaluation Managers and evaluators had a chance to meet with the IPE at this time.

Evaluation Methodology

In May and into early June, the evaluators of the three agencies developed their questionnaires, database plans, and interview guides. The teams also worked out the plan for field visits and staff interviews. A guiding feature of this planning has been to facilitate cross-agency assessments to avoid over-compartmentalization, to gain an understanding of the GEF from different perspectives, and to economize on the use of staff resources. This was particularly the case for the field visits during which the evaluation team members reviewed all of the GEF activity in a country regardless of agency association.

The evaluators used the following evaluation instruments for the collection of data:

Questionnaires
Questionnaires were sent to (responses are not the final count):

- 47 participants: 25 responses were received;
- 58 NGOs (plus the use of the ECONET/GEF Conference network): 11 responses were received;
- 60 countries receiving UNDP/GEF assistance: 71 responses were received from government staff, project personnel, NGOs and UNDP offices in 33 countries;
- 27 countries receiving World Bank/GEF assistance: 36 responses were received from government staff, project personnel and World Bank offices in 15 countries;
- 39 World Bank Task Managers: 22 responses were received;
- UNEP's 121 Official Channels of Communication: 32 responses were received;
- 15 STAP members: 13 responses were received.

Country Visits
The field visits extended from May through September, and provided the evaluators with improved insights that could not have been gained through document review alone. During the country visits the evaluators had an opportunity to look closely into the project development process, examine issues such as local ownership and participation in projects, and the interagency cooperation at the field level. To accomplish this, the evaluators conducted interviews with national and local government officials, local NGOs and communities, implementing agencies Field Offices, and other international organizations. They visited project sites when possible. GEF staff at the implementing agencies headquarters were also interviewed and documentation was compiled. (Annex 1b contains a list of projects visited.)

The evaluators visited 31 projects in 22 countries: 9 projects in AFR, 12 in LAC, 7 in Asia & Pacific, and 3 in the ECA/MENA region. The projects visited include 16 in the BIO, 8 in the GW, and 7 in the IWP focal areas. However, an earlier plan to extend the field visits to a larger sample was suspended because of the shortage of time and of the evaluators' judgement that further visits would add only marginally to the lessons gained.

Special Project Reviews
In addition to the field visits, the evaluators completed desk reviews of project files for 62 projects (including a US parallel cofinancing project). Desk reviews included analysis of questionnaires and relevant documents from the GEF and other sources and interviews with implementing agencies staff. (Annex 1b contains a list of projects included in the sample.)

Staff Interviews
The evaluators also interviewed STAP members, World Bank, and UNDP officials associated with GEF operations, and the GEF Administrator's staff and Chairman.

Meetings with NGOs
The main responsibility for group meetings with the NGO representatives has been assumed by the IPE. However, evaluation team members interviewed NGO representatives during their field visits and in individual sessions in Washington, DC, including an IUCN–organized meeting on September 2, 1993, requested by the IPE, with 22 NGOs representatives of developing countries. Also several NGOs have supplied the team members with their own reports and commentaries on selected projects.

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Annex 1a: First Independent Evaluation Panel Meeting (April 15–16, 1993)

TERMS OF REFERENCE

Background

An independent evaluation of the Global Environment Facility pilot phase was requested by the GEF participants at the meeting that was held in Abidjan on December 3–5, 1992. A draft terms of reference was reviewed by participants in a subsequent meeting in Rome in March 1993 where participants provided comments (see attachment). The terms of reference below outline a proposed approach to the evaluation, which will be made available to the participating governments of the GEF and the governing bodies of the implementing agencies in November 1993. Given the tight schedule and the early stage of the GEF, the independent evaluation will have to be highlv selective.

The GEF was established in 1990 and became operative in 1991 as a three year pilot project to address environmental problems that transcend national boundaries whose solutions provide global benefits. Overall stewardship is the responsibility of the GEF participants who meet on a biannual basis. An implementation committee, made up of the three implementing agencies, and STAP form the GEF governance structure. A GEF chairman supported by an administrator ensures day to day running of the facility as well as coordination and consensual decision making. Responsibility for implementing the GEF is shared between the World Bank, UNDP, and UNEP, each contributing specialized expertise and dedicated institutional resources. The Bank's role includes the investment project portfolio, trust fund management and secretariat functions. UNDP handles the technical assistance projects, pre-investment activities and the Small Grants Program. UNEP ensures consistency with international environmental agreements, policies and priorities and provides scientific expertise. It also provides the secretariat for STAP. Regional development banks may sponsor GEF projects and specialized United Nations agencies may execute sponsor GEF projects.

The GEF provides funds to assist low and middle income countries with investments and technical assistance in four focal areas (a) global warming, (b) biodiversity, (c) international waters, and (d) ozone depletion. Within this mandate, the GEF funds investment and technical assistance projects which benefit the global environment, as distinct from the local environment. Projects financed by the GEF pilot phase must also be innovative and demonstrate the effectiveness of a particular technology or approach. Other criteria of the pilot phase include the contribution of the project to development and knowledge creation and dissemination. Projects that are economically viable on the basis of benefits to the recipient country are not normally eligible. Projects must be justified by substantial global benefits which are unlikely to materialize without GEF support. In general, the GEF funds projects where domestic costs are greater than domestic benefits, but global benefits are greater than domestic cost. The funds are provided on grant terms. They are additional to on-going multilateral and bilateral assistance programs.

The GEF has been invited to operate, on an interim basis, as the financial mechanism of the biodiversity and climate change conventions before they enter into force. A restructured GEF will be considered as the financial mechanism for these conventions after they have entered into force.

Overall, the current pilot phase, running until the end of 1993, is expected to involve the commitment of US$1 billion. Out of the approximate US$.7 billion committed to this date on some 100 projects, activities or programs, about 70 percent, representing about half of the number of operations, have been directed to investment purposes, while only 30 percent of the funds were for technical assistance. The balance has been allocated to targeted research and support to the objectives of global conventions.

GEF funds have been contributed by 28 participating countries, including 10 developing countries. Available GEF funding is expected to be committed by the end of 1993. Permanent funding arrangements will be determined following ratification of the global conventions and after the conferences of interested parties endorse appropriate governance arrangements, in the first half of 1995. Discussions on these topics would benefit from an independent evaluation of the GEF pilot phase.

Purpose and Scope of the Evaluation

The purpose of the independent evaluation is (a) to assess the progress, prospects and potential outcomes of the pilot phase and its relevance to overall GEF objectives; (b) to examine GEF policies, procedures, and processes and their probable impact on GEF resource use and the achievement of objectives; and (c) to make recommendations about the actions to be taken by each of the partner agencies and GEF participants to ensure an effective and efficient use of GEF resources.

It is too early to evaluate the results of approved GEF projects; only about a third of them are under implementation and they are at a very early stage. The evaluation will assess the appropriateness of these projects as designed and, to the extent possible, whether the individual project objectives are still likely to be attained. Therefore, the focus of project-related aspects of the evaluation will be on the *upstream phase* of the GEF project cycle for the operations approved before June 30, 1993 and the outcomes of this phase.

In general, the independent evaluation will examine the effectiveness, efficiency, relevance, flexibility and transparency of the following:

I. Processes

a. Overall Organization and Management: coordination, cooperation and consultation within and between the implementing agencies, as well as distribution of responsibilities. The functions to be covered are: secretariat/external affairs, investment portfolio management, trust fund administration (World Bank), TA administration including the Small Grants Program (UNDP) and environmental policy, strategy and priorities advice, and management services/STAP (UNEP).

b. Project Development Process
   i. Identification
   ii. Preparation
   iii. Appraisal
   iv. Negotiation and Initial Implementation

II. Potential Outcomes

a. Quality of Portfolio in terms of GEF objectives, criteria and priorities developed in the framework of the above processes

b. Resource Use viz. administrative costs and returns on trust fund balances.

Methodology

The evaluation will be based on the objectives and criteria originally agreed for the pilot phase, focusing on each of the four focal areas of the GEF. The appropriateness of the portfolio in terms of lessons to be learnt will be a special focus of the evaluation. Among other criteria, the evaluation will consider:

- the relationship of the portfolio to existing global, regional and national assessments, strategies, priorities and action plans;
- the relevance of the work program to implementation of and strengthening of international environmental conventions;
- the learning capacity of the implementing agencies and the manner and extent to which the expertise and strengths of each one of them were utilized in policy and work program development; and
- the efficacy of the agencies' interaction with the recipient countries in promoting ownership and local participation in project identification, design and implementation, including the role to be played by NGOs.

In its recommendations, the review may consider other emphases identified as relevant for future operations and evaluate how well this pilot phase has prepared the GEF to undertake the next one.

The review of outcomes will cover projects clustered in various ways e.g., by focal area, geographic location, orientation toward technology or policy/institutional approaches, tranche in the GEF approval process. The implementation experience on which processes will be evaluated will be drawn from two sources: (a) a file review for a sample of representative projects stratified along the lines of the above clusters, (b) structured interviews of the major parties involved, and (c) a few field visits to a sample of projects where implementation is already underway.

The collection of data will be primarily done in Washington (GEF Administrator and World Bank), New York (UNDP) and Nairobi (UNEP). The information to be reviewed includes inter alia the Tripartite Agreement between the agencies, STAP minutes, as well as criteria and priorities. Other information to be reviewed includes Chairman's reports to the participants, correspondence log books, documents relevant to GEF Bank operations, bulletins, pamphlets, minutes of Implementation Committee meetings, minutes of meetings with NGOs, reports on seminars, briefing notes, UNDP's and UNEP's work programs, and working papers as well as project reviews by other agencies and governments. The evaluation will also solicit information from developing countries and from individuals in the field involved in the GEF work program.

Interviews with officials in the Administrator's Office, the World Bank, UNDP, UNEP, members of the STAP committee, regional coordinators, NGOs, and a sample of representatives from donors and participating governments will be conducted. In selecting the group to be interviewed, special emphasis will be given to ensuring that different echelons of management, coordinators and task managers, as well as different constituencies are represented.

Organization

An Independent Panel of Experts has been created to guide and advise the evaluation process. It includes representation from participants (Kenya, France), and high level experts appointed by the GEF Chairman. The Chairperson of the Panel is Dr. Alvaro Umaña. He will report to participants through the GEF Chairman.

The Terms of Reference for the Panel will include:

(a) Providing overall guidance to the evaluation process;

(b) Providing technical and organizational guidance to the evaluators;

(c) Receiving and synthesizing outside opinion, including that from participants, NGOs, beneficiary institutions and others, as a basis for advising participants and/or the evaluators; and

(d) Identifying, on the basis of its ongoing work, areas for further evaluation in the future.

Evaluation Managers appointed from the three agencies (World Bank, UNDP, and UNEP) will report through the GEF Chairman to the GEF participants and will be responsible for the overall execution of the evaluation exercise.

The evaluation will also involve a coordinator and a team of specialists (consultants) operating in three groups according to the independent evaluation procedures already in place at the World Bank, UNDP, and UNEP.

The Operations Evaluation Department of the World Bank (OED) will function as a secretariat to the overall evaluation. The GEF Secretariat will provide support to the Evaluation Secretariat, as needed in matters concerning access to information, files and data bases. The GEF units and Coordinators of all the three agencies will support the Evaluation Secretariat. The GEF Administrator's Office will provide secretariat support to the Independent Panel.

Timetable

The entire evaluation exercise will be completed before the participants' meeting scheduled in December 1993. Following informal discussions among the three implementing agencies' evaluation units, a meeting of the Evaluation Managers was organized in mid-April (inception) to review the approach and, possibly, identify other priorities for evaluation. This meeting coincided with the first of the Panel meetings which reviewed the terms of reference and held discussions with the Evaluation Managers and their team. Another meeting will be convened to review the draft report in early September. The final Evaluation Report will be ready by early November 1993.

The Panel will meet:

(1) July 1–2, 1993 in New York where it will review progress;

(2) September 2–3, 1993 in Paris, where it will review the Interim Report; and

(3) November 22–24, 1993 in Washington D.C., where it will review the Final Report.

Chairman's Summary of the Participants' Discussion of the Draft Terms of Reference for the Evaluation of the GEF Pilot Phase

Timing

There was consensus that time is of the essence and that the results of the evaluation must be available to participants in time for their meeting in September 1993. It was emphasized that this was a first evaluation and that more detailed analyses could follow in due course. For the moments, it is important not to overload the process and to ensure a quick start to the evaluation so that its results can feed into the replenishment and restructuring process.

Processes and Mechanisms

There was wide agreement that the credibility of the evaluation process depends on the independence of the way it is conducted.

There were a number of expressions of respect for the competence and objectivity of the agencies' evaluation units. But there was wide agreement that, in order to assure the appearance and reality of independence and objectivity, the proposed international panel of experts must be strengthened and made more central to the evaluation process.

One possibility put forward was to combine the Panel with the Steering Committee, composed of the heads of the agencies' evaluation units.

There was a call for clear selection criteria and a transparent selection process for choosing the outside experts. Meanwhile, there was consensus that these experts should include two representatives from participating governments. It was also suggested that one or more specialists in climate change and biodiversity, and one or more NGO experts be included on the evaluation team. It was also recommended that there should be balance in the group between industrialized and developing countries.

There was general agreement that provision for outside expertise should be included within the Terms of Reference for the evaluation.

Terms of Reference

It was agreed that the evaluation should be conducted in the context of the guidelines and parameters of the pilot phase. It was also felt that the Terms of Reference should have greater specificity and scope. Additional topics to be covered include:

- The responsiveness of the GEF to country needs and participants' expectations;
- The integration of GEF projects with country priorities and strategies;
- How projects are identified and selected;

- The pace of project preparation and implementation;
- The extent to which projects have identifies and specified global benefits;
- How local participation has been encouraged and the extent to which recipient governments, community groups and NGOs have participated in GEF project preparation and implementation;
- The catalytic role (if any) played by GEF in affecting regular activities of the implementing agencies;
- The different experiences with core, co- and parallel-financing and how activities funded from these various sources have matched the objectives of the GEF;
- A critical analysis of the project cycle;
- Level of disbursements;
- Level of "additionality" represented by GEF contributions;
- Success of GEF in leveraging additional resources;
- Absorptive capacities of recipient countries and implementing agencies for GEF projects;
- The role of STAP;
- Impact on project design of comments by STAP and participants; and
- Administrative costs and cost effectiveness.

It was urged that field interviews be a stronger component of the evaluation.

Participants emphasized the important role to be played by the evaluation in helping the participants and the implementing agencies to learn the lessons of the pilot phase and to apply them to the new GEF.

Annex 1b: Country Visits and In-Depth Reviews

Annex 1b: Country Visits and In-depth Reviews

Country	*Project Name*	*Focal Area*	*Implementing Agency*	*Visiting Agency*	*Visit Date*
Argentina	Patagonian Coastal Zone Management Plan	BIO	UNDP	UNDP	June, 1993
Belize	Sustainable Development & Management of Biological Diverse Coastal Resources	BIO	UNDP	UNDP	June, 1993
Benin	Village-Based Management of Woody Savanna and Establishing Woodlots for Carbon Sequestration	GW	UNDP	N/A[a]	N/A[a]
Bhutan	Trust Fund for Environment Conservation	BIO		N/A	N/A
Brazil	Biodiversity Conservation	BIO	World Bank	UNDP	June, 1993
Brazil	Biomass Gasification and Gas Turbines	GW	UNDP	UNDP	June, 1993
China	Ship Waste Disposal	IWP	World Bank	UNEP	May, 1993
China	Coal-Bed Methane	GW	UNDP	UNDP	May, 1993
China	Limiting Emissions of Greenhouse Gases	GW	UNDP	N/A	N/A
China	Sichuan Gas Transmission/Distribution Rehabilitation	GW	World Bank	N/A	N/A
Colombia	Conservation of Biodiversity in the Choco Region	BIO	UNDP	UNDP	June, 1993
Congo	Wildlands Management and Protection	BIO	World Bank	N/A	N/A
Costa Rica	Wind Power	GW	World Bank	World Bank	June, 1993
Costa Rica	Conservation and Sustainable Development in La Amistad and La Osa Reserves	BIO	UNDP	World Bank	June, 1993
Côte d'Ivoire	Control of Exotic Aquatic Weeds in River Systems and Coastal Lagoons to Enhance/Restore Biodiversity	BIO	UNDP	N/A	N/A
Ecuador	Biodiversity Protection	BIO	World Bank	N/A	N/A
Egypt	Engineered Wetlands (Lake Manzala)	IWP	UNDP	World Bank	June, 1993
Egypt	Red Sea Coastal and Marine Resource Management Plan	IWP	World Bank	World Bank	June, 1993
Ethiopia	A Dynamic Farmer-Based Approach to the Conservation of Plant Genetic Resources	BIO	UNDP	World Bank	June, 1993
Ghana	Coastal Wetlands Management Project	BIO	World Bank	UNDP	May, 1993
Global	Alternatives to Slash and Burn Research Initiative	GW	UNDP	N/A	N/A
Global	Country Case Studies on Sources and Sinks of Greenhouse Gases	GW	UNEP	N/A	N/A
Global	Emissions of Greenhouse Gases from Rice Fields	GW	UNDP	N/A	N/A
Global	Global Biodiversity Assessment	BIO	UNEP	N/A	N/A
Global	Support to the Preparation of Country Case Studies (Biodiversity)	BIO	UNEP	N/A	N/A

Global	Info/Training UN Climate Change Convention	GW	UNDP	N/A	N/A
India	Non-Conventional Energy Project	GW	World Bank	N/A	N/A
India	Cost-Effective Options for Limiting GHGs	GW	UNDP	N/A	N/A
Indonesia	Biodiversity Conservation	BIO	World Bank	N/A	N/A
Iran	Reducing Emissions from Urban Transport in Teheran	GW	World Bank	N/A	N/A
Jamaica	Demand-Side Management Demonstration	GW	World Bank	N/A	N/A
Kenya	Tana River Primates	BIO	World Bank	World Bank	June, 1993
Laos	Wildlife and Protected Areas Management	BIO	World Bank	World Bank	June, 1993
Malawi	Lake Malawi Biological Diversity	BIO	World Bank	World Bank	June, 1993
Mali	Household Energy and CO2 Reduction	GW	World Bank	N/A	N/A
Mauritania	Wind Electric Power for Social and Economic Development	GW	UNDP	UNDP	June, 1993
Mauritius	Bagasse Energy Sub-Project	GW	World Bank	N/A	N/A
Mauritius	Restoration of Highly Degraded and Threatened Native Forest in Mauritius	BIO	UNDP	N/A	N/A
Mexico	Protected Areas Program	BIO	World Bank	N/A	N/A
Nigeria	Escravos Flared Gas Reduction	GW	World Bank	N/A	N/A
Pakistan	Fuel Efficiency in the Road Transport Sector	GW	UNDP	N/A	N/A
Philippines	Conservation of Priority Protected Areas	BIO	World Bank	UNDP	May, 1993
Philippines	Leyte/Luzon Geothermal	GW	World Bank	UNDP	May, 1993
Poland	Forest Biodiversity	BIO	World Bank	N/A	N/A
Regional[1]	Developing Least-Cost Greenhouse Gas Reduction Plans	GW	UNDP	UNDP	June, 1993
Eastern Caribbean[2]	Environment and Coastal Resource Management	BIO/IWP	US Parallel	UNEP	Sept., 1993
Regional[3]	Institutional Support to Conserve Biodiversity in East Africa	BIO	UNDP	World Bank	June, 1993
Regional[4b]	OECS Waste Reception Facilities Demonstration	IWP	World Bank	UNEP	Sept., 1993
Regional[5]	Pollution Control and Biodiversity Conservation in the	BIO	UNDP	UNEP	Sept., 1993
Regional[6]	Strategies for the Conservation and Management of Natural Resources (Amazon)	BIO	UNDP	UNDP	June, 1993
Regional[7b]	Wider Caribbean Initiative for Ship Generated Waste	IWP	World Bank	UNEP	Sept., 1993
Regional	Environment Management and Protection of the Black Sea	IWP	UNDP	N/A	N/A
Regional (East Europe)	Environmental management an Protection in Danube River Basin	IW	UNDP	N/A	N/A

(continued)

(Annex 1b continued)

Country	*Project Name*	*Focal Area*	*Implementing Agency*	*Visiting Agency*	*Visit Date*
Romania & Ukraine	Danube Delta Biodiversity	BIO	World Bank	N/A	N/A
Russia	Mitigation of GHG Emissions from Natural Gas Supply and Utilization System	GW	World Bank	N/A	N/A
Sri Lanka	Wildlife Conservation and Protected Area Management	BIO	UNDP	N/A	N/A
Thailand	Promotion of Electric Energy Efficiency	GW	World Bank	World Bank	June, 1993
Turkey	In Situ Conservation of Plant Genetic Biodiversity	BIO	World Bank	N/A	N/A
Uruguay	Conservation of Biodiversity in the Eastern Wetlands	BIO	UNDP	UNDP	June, 1993
Yemen	Protection of Marine Ecosystems on the Red Sea Coast	IWP	UNDP	World Bank	June, 1993
Zimbabwe	National Parks Rehabilitation and Community-Based Environmental Management	BIO	World Bank	UNDP	June, 1993
Zimbabwe	Photovoltaics for Households and Community Use	GW	UNDP	UNDP	June, 1993

Notes: Where applicable, evaluators reviewed small grants projects, PRIFs, and PPAs in addition to the projects listed above.
a. In-depth desk reviews were done for all the projects that were not visited.
b. Projects not included in the World Bank in-depth reviews, but included in Internatinal Waters Protection focal area reviews.

Countries Visited in Regional Projects:
1. China, Philippines
2. Jamaica, St. Lucia, Barbados
3. Kenya
4. Jamaica, St. Lucia, Barbados
5. Ghana, Côte d'Ivoire
6. Brazil, Colombia
7. Jamaica, St. Lucia, Barbados

Annex 2: List of GET Projects

Annex 2: List of GET Projects (as of June 30, 1993)
(by focal area, region, implementing agency, tranche, and funding)

Focal Area	*Region*	*Country*	*Project Name*	*Implementing Agency*	*Tranche*	*GET (US$ million)*
Various	Global	Global	Small Grants Programme	UNDP		10
BIO	AFR	Burkina Faso	Optimizing Biological Diversity within Wildlife-Ranching Systems: A Pilot Demonstration in Semi-Arid Zone	UNDP	IV	2.5
BIO	AFR	Cameroon	Biodiversity Conservation and Management	World Bank	V	5
BIO	AFR	Central Africa	Acquisition and Distribution of Comprehensive Landsat TM Satellite Imagery	World Bank	III	1.75
BIO	AFR	Congo	Wildlands Protection and Management	World Bank	I	10
BIO	AFR	Côte d'Ivoire	Control of Exotic Aquatic Weeds in River Systems & Coastal Lagoons to Enhance/Restore Bio-diversity	UNDP	IV	3
BIO	AFR	Ethiopia	A Dynamic Farmer-Based Approach to the Con-servation of Plant Genetic Resources	UNDP	IV	2.5
BIO	AFR	Ghana	Coastal Wetlands Management Project	World Bank	II	7.2
BIO	AFR	Kenya	Tana River Primates	World Bank	I	6.2
BIO	AFR	Malawi	Lake Malawi Biological Diversity	World Bank	II	4
BIO	AFR	Mauritius	Restoration of Highly Degraded and Threatened Native Forest in Mauritius	UNDP	V	0.2
BIO	AFR	Mozambique	Transfrontier Conservation Areas and Institution Strengthening	World Bank	IV	5
BIO	AFR	Regional[1]	Institutional Support to the Conservation of East African Biodiversity	UNDP	I	10
BIO	AFR	Regional (Gabon)	Conservation of Biodiversity through Effective Management of Wildlife Trade	UNDP	I	1
BIO	AFR	Seychelles	Biodiversity Protection and Abatement of Marine Pollution	World Bank	II	1.8
BIO	AFR	Uganda	Biological Diversity Conservation	World Bank	I	4
BIO	AFR	Regional (West Africa/Burkina Faso)	Game Ranching Extension	World Bank	IV	7

BIO	AFR	Zimbabwe	National Parks Rehabilitation and Community-Based Environmental Management	World Bank	III	5
BIO	Asia & Pacific	Bhutan	Trust Fund for Environment Conservation	World Bank	I	10
BIO	Asia & Pacific	Indonesia	Biodiversity Conservation	World Bank	III	12
BIO	Asia & Pacific	Indonesia and Malaysia	Conservation Strategy of South East Asia Rhinos	UNDP	V	2
BIO	Asia & Pacific	Laos	Wildlife and Protected Areas Management	World Bank	I	5
BIO	Asia & Pacific	Mongolia	Development Institution of a National Biodiversity Conservation Areas Network and Related Policies	UNDP	V	1.5
BIO	Asia & Pacific	Nepal	Biodiversity Conservation in Nepal	UNDP	II	3.8
BIO	Asia & Pacific	Papua New Guinea	National Conservation and Resource Management Programme	UNDP	II	5
BIO	Asia & Pacific	Philippines	Conservation of Priority Protected Areas	World Bank	I	20
BIO	Asia & Pacific	Regional[2]	South Pacific Regional Biodiversity Conservation Project	UNDP	I	8.2
BIO	Asia & Pacific	Sri Lanka	Wildlife Conservation & Protected Area Management	UNDP	II	4.1
BIO	Asia & Pacific	Viet Nam	Conservation, Training and Biodiversity Action Plan	UNDP	I	3
BIO	ECA/MENA	Algeria	El Kala National Park	World Bank	I	10
BIO	ECA/MENA	Belarus	Forest Biodiversity	World Bank	I	1
BIO	ECA/MENA	Czech Republic	Planning and Management of Czech Reserves	World Bank	II	2.3
BIO	ECA/MENA	Jordan	Management of Azraq and Dana Protected Areas	UNDP	III	6.3
BIO	ECA/MENA	Poland	Forest Biodiversity	World Bank	I	4.5
BIO	ECA/MENA	Romania, Ukraine	Danube Delta Biodiversity	World Bank	III	6
BIO	ECA/MENA	Slovak Republic	Planning and Management of Slovak Reserves	World Bank	II	2
BIO	ECA/MENA	Turkey	In Situ Conservation of Plant Genetic Biodiversity	World Bank	III	5
BIO	ECA/MENA	Ukraine	Carpathian Mountains Biodiversity Protection	World Bank	II	0.5
BIO	Global	Global	Biodiversity Data Management and Networking	UNEP	IV	4
BIO	Global	Global	Global Biodiversity Assessment	UNEP	IV	2
BIO	Global	Global	Phase 2. Support to Country Case Studies on Biodiversity	UNEP	V	2

(continued)

(Annex 2 continued)

Focal Area	Region	Country	Project Name	Implementing Agency	Tranche	GET (US$ million)
BIO	Global	Global	Support to the Preparation of Country Case Studies (Biodiversity)	UNEP	II	5
BIO	LAC	Argentina	Patagonian Coastal Zone Management Plan	UNDP	II	2.8
BIO	LAC	Belize	Sustainable Development & Management of Biological Diverse Coastal Resources	UNDP	II	3
BIO	LAC	Bolivia	Protected Area System	World Bank	III	4.5
BIO	LAC	Brazil	Biodiversity Conservation	World Bank	I	30
BIO	LAC	Colombia	Conservation of Biodiversity in the Choco Region	UNDP	I	9
BIO	LAC	Costa Rica	Conservation & Sustainable Development in La Amistad and La Osa Reserves	UNDP	II	8
BIO	LAC	Cuba	Biodiversity Protection & Sustainable Development in Sabana-Camaguey Archipelago	UNDP	II	2
BIO	LAC	Dominican Republic	Biodiversity Conservation & Management in the Coastal Zone	UNDP	III	3
BIO	LAC	Ecuador	Biodiversity Protection	World Bank	III	6
BIO	LAC	Guyana	Programme for Sustainable Tropical Forestry Management	UNDP	I	3
BIO	LAC	Mexico	Protected Areas Program	World Bank	I	25
BIO	LAC	Peru	Biodiversity Conservation	World Bank	II	4
BIO	LAC	Regional[3]	Strategies for the Conservation and Management of Natural Resources (Amazon)	UNDP	I	4.5
BIO	LAC	Uruguay	Conservation of Biodiversity in the Eastern Wetlands	UNDP	III	3
GW	AFR	Benin	Village-Based Management of Woody Savanna and Establishing Woodlots for Carbon Sequestration	UNDP	IV	2.5
GW	AFR	Côte d'Ivoire	Crop Waste Power	World Bank	IV	5
GW	AFR	Mali	Household Energy and CO2 Reduction	World Bank	IV	2.5
GW	AFR	Mauritania	Wind Electric Power for Social and Economic Development	UNDP	IV	2
GW	AFR	Mauritius	Bagasse Energy Sub-Project	World Bank	I	3
GW	AFR	Nigeria	Escravos Flared Gas Reduction	World Bank	IV	25

GW	AFR	Regional (Senegal, Côte d'Ivoire)	Control of Greenhouse Gas Emissions through Energy-Efficient Building Technology in West Africa	UNDP	IV	3.5
GW	AFR	Regional (to be determined)	Greenhouse Gas Assessment and Least-Cost Global Warming Mitigation in Sub-Saharan Africa	UNDP	IV	2
GW	AFR	Sudan	Rangeland Rehabilitation for Carbon Sequestration	UNDP	IV	1.5
GW	AFR	Tanzania	Electricity, Fuel and Fertilizer from Municipal and Industrial Organic Waste in Tanzania	UNDP	V	2.5
GW	AFR	Zimbabwe	Photovoltaics for Households & Community Use	UNDP	II	7
GW	Asia & Pacific	China	Coal-Bed Methane	UNDP	I	10
GW	Asia & Pacific	China	Limiting Emissions of Greenhouse Gases	UNDP	I	2
GW	Asia & Pacific	China	Sichuan Gas Transmission/Distribution Rehabilitation	World Bank	III	10
GW	Asia & Pacific	India	Bio-energy from Industrial, Municipal & Agricultural Wastes	UNDP	III	5.5
GW	Asia & Pacific	India	Cost Effective Options for Limiting Greenhouse Gas Emissions	UNDP	V	1.5
GW	Asia & Pacific	India	Non-Conventional Energy Project	World Bank	II	26
GW	Asia & Pacific	India	Optimizing Development of Small Hydel Resources in the Hills	UNDP	II	7.5
GW	Asia & Pacific	Pakistan	Fuel Efficiency in the Road Transport Sector	UNDP	III	7
GW	Asia & Pacific	Pakistan	Integrated Community Waste-to-Energy Systems	World Bank	III	11
GW	Asia & Pacific	Philippines	Leyte/Luzon Geothermal	World Bank	I	30
GW	Asia & Pacific	Regional[4]	Developing Least-Cost Greenhouse Gas Reduction Plans (main phase)	UNDP	II	9.5
GW	Asia & Pacific	Thailand	Promotion of Electric Energy Efficiency	World Bank	II	9.5
GW	ECA/MENA	Iran	Reducing Emissions from Urban Transport in Teheran	World Bank	III	2
GW	ECA/MENA	Morocco	Repowering of Existing Power Plants	World Bank	IV	6
GW	ECA/MENA	Poland	Coal-to-Gas Conversion	World Bank	II	25
GW	ECA/MENA	Regional (Arab States)	Development of Programmes & Approaches for a Regional Strategy for Reduction of Greenhouse Gases	UNDP	V	2.5

(continued)

(Annex 2 continued)

Focal Area	Region	Country	Project Name	Implementing Agency	Tranche	GET (US$ million)
GW	ECA/MENA	Russia	Mitigation of GHG Emissions from Natural Gas Supply and Utilization System	World Bank	IV	3.2
GW	ECA/MENA	Tunisia	Market Penetration of Solar Water Heating	World Bank	V	4
GW	Global	Global	Alternatives to Slash & Burn Research Initiative	UNDP	IV	3
GW	Global	Global	Country Case Studies on Sources and Sinks of Greenhouse Gases	UNEP	II	4.5
GW	Global	Global	Emissions of Global Warming Gases from Rice Fields	UNDP	I	5
GW	Global	Global	Monitoring of Ozone and Greenhouse Gases	UNDP	I	4.8
GW	Global	Global	Program for Incremental Costs for the Env. (PRINCE)	GEF Admin.	V	2.7
GW	Global	Global	START: Global Change Systems for Analysis Research and Training	UNDP	III	4
GW	Global	Global	Technical Support to the Conventions	UNDP	V	0.9
GW	LAC	Brazil	Biomass Gasification & Gas Turbines	UNDP	II	7.7
GW	LAC	Chile	Reduction of Greenhouse Gases	UNDP	IV	1.7
GW	LAC	Costa Rica	Wind Power	World Bank	IV	3.3
GW	LAC	Jamaica	Demand-Side Management Demonstration	World Bank	V	3.8
GW	LAC	Mexico	High Efficiency Lighting	World Bank	II	10
GW	LAC	Peru	Technical Assistance for the Centre for Energy Conservation	UNDP	II	0.9
GW	LAC	Regional[5]	START: Global Change Systems for Analysis Research and Training (sub-project)	UNDP	III	3
IWP	AFR	Regional[6]	Pollution Control & Other Measures to Protect Biodiversity in Lake Tanganyika	UNDP	II	10
IWP	AFR	Regional[7]	Pollution Control & Biodiversity Conservation in the Gulf of Guinea Large Marine Ecosystem	UNDP	II	6
IWP	Asia & Pacific	China	Ship Waste Disposal	World Bank	I	30
IWP	Asia & Pacific	Regional[8]	Management of Pollution in SE Asian Seas	UNDP	II	8
IWP	ECA/MENA	Regional (Algeria, Morocco, Tunisia)	Oil Pollution Management System for the South-west Mediterranean Sea	World Bank	III	10

IWP	ECA/MENA	Egypt	Engineered Wetlands (Lake Manzala)	UNDP	IV	4.5
IWP	ECA/MENA	Egypt	Red Sea Coastal and Marine Resource Management Plan	World Bank	III	4.75
IWP	ECA/MENA	Regional[9]	Environment Management & Protection of the Black Sea	UNDP	III	9.3
IWP	ECA/MENA	Regional (East Europe)	Environmental Management in the Danube River Basin	UNDP	I	8.5
IWP	ECA/MENA	Yemen	Protection of Marine Ecosystems on the Red Sea Coast	UNDP	III	2.8
IWP	Global	Global	Support for Regional Centers for International Oceans Training	UNDP	II	2.6
IWP	LAC	Regional (Caribbean Sea)	OECS Waste Reception Facilities Demonstration	World Bank	IV	14
IWP	LAC	Regional (Wider Caribbean)	Wider Caribbean Initiative for Ship-Generated Wastes	World Bank	V	5.5
OZO	ECA/MENA	Czech & Slovak Republics	Ozone Depleting Substances Reduction	World Bank	IV	3.8
OZO	LAC	Regional[10]	Monitoring & Research Network for Ozone Depletion and Greenhouse Gases in the Southern Cone	UNDP	V	1.9

Countries Participating in Regional Projects

1. Kenya, Tanzania, Uganda
2. Fiji, Samoa, Tonga, Solomon Islands, Vanuatu, Palau, Niue, Cook Islands, Kiribati, Tuvalu, Federated States of Micronesia, Republic of Marshall Islands, Tokelau, Nassau
3. Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Venezuela
4. Bangladesh, China, North Korea, India, Indonesia, Malaysia, Myanmar, Mongolia, Pakistan, Philippines, Sri Lanka, Thailand, Viet Nam
5. Argentina, Bolivia, Brazil, Chile, Costa Rica, Cuba, Dominican Republic, Mexico, Panama, Paraguay, Peru, Uruguay
6. Burundi, Tanzania, Zambia, Zaire
7. Côte d'Ivoire, Benin, Cameroon, Ghana, Nigeria
8. Malaysia, Thailand, Indonesia, Philippines, Singapore, Brunei, Viet Nam, North Korea, China
9. Bulgaria, Georgia, Romania, Russia, Turkey, Ukraine
10. Argentina, Chile, Brazil, Uruguay

Annex 3: List of PRIF/PPA Supported Activities

ANNEX 3: LIST OF PRIF/PPA SUPPORTED ACTIVITIES (AS OF JUNE 30, 1993)

Focal Area	*Region*	*Country*	*Source*	*Activity*	*Implementing Agency*	*GET (US$ million)*
BIO	AFR	Congo	PPA	Biodiversity Conservation	World Bank	.11
BIO	AFR	Kenya	PPA	Tana River	World Bank	.56
BIO	AFR	Mozambique	PPA	Transborder Parks	World Bank	.22
BIO	AFR	Uganda	PPA	Bwindi Forest	World Bank	.17
BIO	AFR	Uganda	PRIF	Bwindi Forest	UNDP	.15
BIO	AFR	Zimbabwe	PPA	National Parks Rehabilitation and Community-based Environmental Management	World Bank	.42
BIO	Asia & Pacific	China	PRIF	Biodiversity	UNDP	1.68
BIO	Asia & Pacific	India	PRIF	Eco-development	UNDP	.20
BIO	Asia & Pacific	Indonesia	PRIF	Biodiversity	UNDP	1.60
BIO	Asia & Pacific	Mongolia	PRIF	Biodiversity Conservation	UNDP	1.00
BIO	Asia & Pacific	Pakistan	PRIF	Maintaining Biodiversity with Rural Community Development	UNDP	2.50
BIO	Asia & Pacific	Thailand	PRIF	Biodiversity	UNDP	.70
BIO	ECA/MENA	Algeria	PPA	El Kala National Park	World Bank	.06
BIO	ECA/MENA	Egypt	PRIF	Nile Wetlands	UNDP	.70
BIO	ECA/MENA	Romania	PPA	Danube Delta	World Bank	.19
BIO	ECA/MENA	Ukraine	PPA	Danube Delta	World Bank	.15
BIO	LAC	Bolivia	PPA	Biodiversity Conservation	World Bank	.02
BIO	LAC	Brazil	PRIF	Northeast forestation	UNDP	.10
BIO	LAC	Peru	PPA	Trust Fund	World Bank	.02
BIO	LAC	Regional	PRIF	Biodiversity Mangrove/Coastal System	UNDP	1.10
GW	AFR	Cameroon	PRIF	Global Warming Mitigation	UNDP	.40
GW	Asia & Pacific	China	PRIF	Sichuan Gas	UNDP	1.40
GW	Asia & Pacific	Thailand	PRIF	Energy Efficiency	UNDP	.60
GW	ECA/MENA	Jordan	PRIF	Methane Reduction and Utilization of Municipal Wastes	UNDP	.20
GW	ECA/MENA	Morocco	PPA	Repowering of Power Plant	World Bank	.26

GW	ECA/MENA	Poland	PPA	Coal to Gas	World Bank	.32
GW	ECA/MENA	Romania	PPA	Fuel Cells	World Bank	.16
GW	ECA/MENA	Syria	PRIF	Electricity Management	UNDP	.50
GW	ECA/MENA	Tunisia	PPA	Solar Water	World Bank	.10
GW	ECA/MENA	Yemen	PRIF	LPG Substitution Programme	UNDP	.80
GW	LAC	Brazil	PPA	Biomass Gas Turbine	World Bank	.46
GW	LAC	Jamaica	PPA	Demand Side Management	World Bank	.12
GW	LAC	Venezuela	PRIF	Methane Leaks in Maracaibo Network	UNDP	1.00
IWP	AFR	Regional	PRIF	Environmental Management of Lake Victoria	UNDP	.40
IWP	ECA/MENA	Algeria/ Morocco/Tunisia	PPA	Mediterranean Ports	World Bank	.83
IWP	LAC	Regional	PPA	OECS Waste Management	World Bank	.51
IWP	LAC	Regional	PPA	Wider Caribbean Waste Disposal	World Bank	.17
IWP	LAC	Regional	PRIF	Contaminated Bays & Coasts in the Caribbean	UNDP	2.50
					Total	$22.38

Annex 4: World Bank and UNDP GEF Project Development Process—Key Dates and Time Lapse

Annex 4: World Bank and UNDP GEF Project Development Process—Key Dates and Time Lapse

World Bank/GEF

Region	*Tranche*	*Country*	*Project/Concept Name*	*IEPS*	*Implementing Committee*	*Participants*	*Appraisal*	*Regional Vice Presidency*	*Board*	*Effectiveness*
AFR	I	Congo	Wildlands Protection and Management	2/28/91	2/13/91	4/1/91	3/17/92	3/3/93		
AFR	I	Kenya	Tana River Primates	12/11/90	2/13/91	4/1/91				
AFR	I	Mauritius	Bagasse Energy Development	2/15/91	2/13/91	4/1/91	8/14/91	2/5/92	3/31/92	
AFR	I	Uganda	Biological Diversity Conservation		2/13/91	4/1/91				
AFR	II	Ghana	Coastal Wetlands Management Project	4/25/91	9/26/91	12/1/91	2/29/92	8/28/92	10/15/92	3/1/93
AFR	II	Malawi	Lake Malawi Biological Diversity	10/31/91	9/26/91	12/1/91	2/1/93			
AFR	II	Seychelles	Biodiversity Protection and Abatement of Marine Pollution	3/9/89	9/26/91	12/1/91	6/29/92	11/30/92	12/22/92	
AFR	III	Central Africa	Acquisition and Distribution of Comprehensive Landsat TM Satellite Imagery		2/24/92	4/1/92				
AFR	III	Zimbabwe	National Parks Rehabilitation and Community-Based Environment Management	7/1/89	2/24/92	4/1/92				
AFR	IV	Cote d'Ivoire	Crop Waste Power	5/11/92	9/29/92	12/1/92				
AFR	IV	Mali	Household Energy and CO2 Reduction	4/15/92	9/29/92	12/1/92				
AFR	IV	Mozambique	Transfrontier Conservation Areas and Institution Strengthening	3/30/92	9/29/92	12/1/92				
AFR	IV	Nigeria	Escravos Flared Gas Reduction	5/15/92	9/29/92	12/1/92	6/1/93			
AFR	IV	Regional (West Africa/ Burkina Faso)	Game Ranching Extension	7/15/92	9/29/92	12/1/92				
AFR	V	Cameroon	Biodiversity Conservation and Management		2/23/93	5/1/93				
Asia & Pacific	I	Bhutan	Trust Fund for Environment Conservation	3/15/91	5/1/91	4/1/91	10/15/91	5/21/92		6/1/92
Asia & Pacific	I	China	Ship Waste Disposal	3/15/91	2/13/91	4/1/91	4/15/91	5/22/92	6/17/92	9/1/92
Asia & Pacific	I	Laos	Wildlife and Protected Areas Management	7/23/90	2/13/91	4/1/91	11/19/91			
Asia & Pacific	I	Philippines	Leyte/Luzon Geothermal	1/1/91	2/13/91	4/1/91	6/23/93			

Asia & Pacific	I	Philippines	Conservation of Protected Areas	5/23/89	2/13/91	4/1/91	3/1/92			
Asia & Pacific	II	India	Non-Conventional Energy Project	8/23/91	9/26/91	12/1/91	6/29/92	12/8/92	12/17/92	4/1/93
Asia & Pacific	II	Thailand	Promotion of Electric Energy Efficiency	6/10/91	9/26/91	12/1/91	12/2/91	4/17/93	4/27/93	
Asia & Pacific	III	China	Sichuan Gas Transmission/Distribution Rehabilitation	3/31/91	2/24/92	4/1/92	6/15/93			
Asia & Pacific	III	Nepal	Biodiversity Conservation	11/18/91	2/24/92	4/1/92				
Asia & Pacific	III	Pakistan	Integrated Community Waste-to-Energy Systems	9/25/91	2/24/92	4/1/92				
ECA/ MENA	I	Algeria	El Kala National Park	10/1/90	2/13/91	4/1/91	5/18/93			
ECA/ MENA	I	Belarus	Forest Biodiversity	6/25/92	9/26/91	4/1/91	6/26/92	9/24/92		10/1/92
ECA/ MENA	I	Poland	Forest Biodiversity	4/10/91	2/13/91	4/1/91	10/10/91	12/12/91		1/1/92
ECA/ MENA	II	Czech Republic	Planning and Management of Czech Reserves	3/15/91	9/26/91	12/1/91				
ECA/ MENA	II	Poland	Coal to Gas Conversion	2/12/91	9/26/91	12/1/91	5/31/93			
ECA/ MENA	II	Slovak Republic	Planning and Management of Slovak Reserves	3/15/91	9/26/91	12/1/91				
ECA/ MENA	II	Ukraine	Carpathanian Mountains Biodiversity Protection	8/21/92	9/29/92	12/1/91				
ECA/ MENA	III	Egypt	Red Sea Coastal and Marine Resource Management Plan	1/9/92	2/29/92	4/1/92	5/18/92	11/30/92	12/17/92	
ECA/ MENA	III	Iran	Reducing Emissions from Urban Transport in Teheran	1/6/92	2/25/92	4/1/92	5/1/93			
ECA/ MENA	III	Regional (Algeria, Morocco, Tunisia)	Oil Pollution Management System for the Southwest Mediterranean Sea		2/24/92	4/1/92				
ECA/ MENA	III	Romania, Ukraine	Danube Delta Biodiversity	1/1/92	2/24/92	4/1/92				
ECA/ MENA	III	Turkey	In Situ Conservation of Plant Genetic Biodiversity	1/7/92	2/24/92	4/1/92	7/1/92	2/16/93	3/11/93	4/1/93

(continued)

(Annex 4 continued)

World Bank/GEF

Region	*Tranche*	*Country*	*Project/Concept Name*	*IEPS*	*Implementing Committee*	*Participants*	*Appraisal*	*Regional Vice Presidency*	*Board*	*Effectiveness*
ECA/ MENA	IV	Czech Republic	Ozone Depleting Substances Reduction	9/1/92	10/1/92	12/1/92				
ECA/ MENA	IV	Morocco	Repowering of Existing Power Plans	7/18/92	9/29/92	12/1/92				
ECA/ MENA	IV	Russia	Mitigation of GHG Emissions from Natural Gas Supply and Utilization System	8/10/92	9/29/92	12/1/92				
ECA/ MENA	V	Tunisia	Market Penetration to Solar Water Heating	12/18/92	2/23/93	5/1/93				
LAC	I	Brazil	Biodiversity Conservation	2/15/91	2/13/91	4/1/91				
LAC	I	Bolivia	Protected Areas Program	11/1/90	2/13/91	4/1/91	9/1/91	3/9/92	3/31/92	4/1/93
LAC	II	Mexico	High Efficiency Lighting		9/26/91	12/1/91				
LAC	II	Peru	Biodiversity Conservation	3/22/91	9/26/91	12/1/91				
LAC	III	Mexico	Protected Area System	3/26/91	2/24/92	4/1/92	4/27/92	8/4/92	12/10/92	
LAC	III	Ecuador	Biodiversity Protection	4/1/91	2/24/92	4/1/92				
LAC	IV	Costa Rica	Wind Power		9/29/92	12/1/92	6/1/93			
LAC	IV	Regional (Caribbean Sea)	OECS Port Waste Reception Facilities Demonstration	9/10/91	9/29/92	12/1/92				
LAC	V	Jamaica	Demand-Side Management Demonstration	1/31/92	2/23/93	5/1/93				
LAC	V	Regional (Wider Caribbean)	Wider Caribbean Initiative for Ship-Generated Wastes	6/15/92	2/23/93	5/1/93				

Note: Information as of June 30, 1993.

UNDP/GEF

Region	Tranche	Country	Project Name	GEF/ Coord.	UNDP Head-quarters	External	Inter Bureau PAC	STAP Review	Implementing Committee	Project Manag. Clearance	Formulation Mission	Field Office PAC	Headquar-ters PAC	AC Approval	Signature Proj. Due
AFR	I	Regional	Institutional Support to the Conservation of East Africa Biodiversity	*	Mar-91	**	N/A	Jul-91	Feb-91	April-91	May-91	Feb-92	Feb-92	Mar-92	Jul-92
AFR	II	Zimbabwe	Photovoltaics for Households & Community Use	Jun-91	**	Aug-91	N/A	Sep-91	Sep-91	Dec-91	Nov-91	Jan-92	Jan-92	Feb-92	Sep-92
AFR	II	Regional	Pollution Control & Biodiversity in the Gulf of Guinea Large Marine Ecosystem	Apr-91	Jul-91	Aug-91	N/A	Sep-91	Sep-91	Dec-91	Apr-92	Mar-93			
AFR	II	Regional	Pollution Control & Other Measures to Protect Biodiversity in Lake Tanganyika	May-91	Jul-91	Aug-91	N/A	Sep-91	Sep-91	Dec-91	Nov-91	Jan-93			
AFR	IV	Regional	Control of Greenhouse Gas Emissions through Energy-Efficient Building Technology in West Africa	Jun-92	Aug-92	Aug-92	Aug-92	Sep-92	Sep-92	Dec-92					
AFR	IV	Cote d'Ivoire	Control of Exotic Aquatic Weeds in River Systems & Coastal Lagoons to Enhance/Restore Biodiversity	Jun-92	Aug-92	Aug-92	Aug-92	Sep-92	Sep-92	Dec-92	Mar-93				
AFR	IV	Regional	Game Ranching Extension	*			Aug-92	Sep-92	Sep-92	Dec-92	Apr-93				
AFR	IV	Mauritania	Wind Electric Power for Social and Economic Development	Mar-92	Jun-92	Aug-92	Aug-92	Sep-92	Sep-92	Dec-92	Jun-93				
AFR	IV	Regional	Greenhouse Gas Assessment and Least-Cost Global Warming Mitigation in Sub-Saharan Africa	Jul-92	Aug-92	Aug-92	Aug-92	Sep-92	Sep-92	Dec-92					
AFR	IV	Benin	Village-Based Management of Woody Savanna and Establishing Woodlots for Carbon Sequestration	May-92	**	Aug-92	Aug-92	Sep-92	Sep-92	Dec-92	Mar-93	Mar-93	Jun-93		
AFR	IV	Ethiopia	A Dynamic Farmer-based Approach to the Conservation of Plant Genetic Resources	Mar-92	Aug-92	Aug-92	Aug-92	Sep-92	Sep-92	Dec-92	Apr-93				
AFR	V	Tanzania	Electric, Fuel, and Fertilizer from Municipal and Industrial Organic Waste in Tanzania	Aug-92	Aug-92	Dec-92	Dec-92	Jan-93	Feb-93	May-93	**	Jul-92			
AFR	V	Mauritius	Restoration of Highly Degraded and Threatened Native Forest	Oct-91	Nov-92	Dec-92	Dec-92	Jan-93	Feb-93	May-93					

(continued)

(Annex 4 continued)

UNDP/GEF

Region	Tranche	Country	Project Name	GEF/ Coord.	UNDP Head-quarters	External	Inter Bureau PAC	STAP Review	Implementing Committee	Project Manag. Clearance	Formulation Mission	Field Office PAC	Headquar-ters PAC	AC Approval	Signature Proj. Due
Asia & Pacific	I	Viet Nam	Conservation, Training and Biodiversity Action Plan	*	*	*	N/A	Jul-91	Feb-91	April-91	*	Nov-91	Nov-91	Jan-92	Jul-92
Asia & Pacific	I	Regional	South Pacific Regional Biodiversity Conservation Project	*	Feb-91	Mar-91	N/A	Jul-91	Feb-91	April-91	*	Apr-92	*	Jan-93	Apr-93
Asia & Pacific	I	China	Limiting Emissions of Greenhouse Gases	*	*	*	N/A	Jul-91	Feb-91	April-91	*	Nov-91	Nov-91	Jan-92	Mar-92
Asia & Pacific	I	China	Coal-Bed Methane	*	*	*	N/A	Jul-91	Feb-91	April-91	*	Feb-92	Apr-92	May-92	Jun-92
Asia & Pacific	II	Regional	Management of Pollution in SE Asian Seas	*	Mar-91	Mar-91	N/A	Sep-91	Sep-91	Dec-91	Nov-92	*	May-93		
Asia & Pacific	II	India	Optimizing Development of Small Hydel Resources in the Hills	*	Oct-91	Oct-91	N/A	Sep-91	Sep-91	Dec-91					
Asia & Pacific	II	Sri Lanka	Wildlife Conservation & Protected Area Management	*	Mar-91	Jul-91	N/A	Sep-91	Sep-91	Dec-91	*	Apr-91	Nov-91	Jan-92	May-92
Asia & Pacific	II	Regional	Developing Least-Cost Greenhouse Reduction Plans	*	May-91	Jun-91	N/A	Sep-91	Sep-91	Dec-91	Jul-92				
Asia & Pacific	II	Nepal	Biodiversity Conservation in Nepal	*	Aug-91	*	N/A	Sep-91	Sep-91	Dec-91	*	*	Feb-93		
Asia & Pacific	II	Papua New Guinea	National Conservation and Resource Management Programme	*	Jul-91	Aug-91	N/A	Sep-91	Sep-91	Dec-91	*	Mar-93	Apr-93	Jun-93	
Asia & Pacific	III	India	Bio-energy from Industrial, Municipal & Agricultural Wastes	*	Nov-91	Dec-91	N/A	Feb-92	Feb-92	April-92					
Asia & Pacific	III	Pakistan	Fuel Efficiency in the Road Transport Sector	*	Nov-91	Dec-91	N/A	Feb-92	Feb-92	April-92					
Asia & Pacific	V	Indonesia and Malaysia	Conservation Strategy of South East Asia Rhinos	*	Feb-93	Feb-93	Dec-92	Jan-93	Feb-93	May-93					
Asia & Pacific	V	India	Cost Effective Options for Limiting Greenhouse Gas Emissions	*	Dec-91	Jan-92	Dec-92	Jan-93	Feb-93	May-93	Jul-93				
Asia & Pacific	V	Mongolia	Development Institution of a National Biodiversity Conservation Areas Network and Related Policies	Aug-91	Dec-91	Jan-92	Dec-92	Jan-93	Feb-93	May-93					

ECA/ MENA	I	Regional	Environmental Management in the Danube River Basin	Jan-91	Jan-91	Feb-91	N/A	Jul-91	Feb-91	April-91	*	*	*	Feb-92	Sep-92
ECA/ MENA	III	Jordan	Management of Azraq and Dana Protected Areas	Nov-91	Dec-91	Dec-91	N/A	Feb-92	Feb-92	April-92	May-92	Apr-93	Apr-93	May-93	
ECA/ MENA	III	Yemen	Protection of Marine Ecosystems on the Red Sea Coast	Nov-91	Jan-92	Jan-92	N/A	Feb-92	Feb-92	April-92	Jun-92	Oct-92	*	Apr-93	Jun-93
ECA/ MENA	III	Regional	Environment Management & Protection of the Black Sea	Nov-91	Dec-91	Jan-92	N/A	Feb-92	Feb-92	April-92	*	*	*	Dec-92	Jun-93
AFR	IV	Sudan	Rangeland Rehabilitation for Carbon Sequestration	May-92	Jul-92	Aug-92	Aug-92	Sep-92	Sep-92	Dec-92	May-93				
ECA/ MENA	IV	Egypt	Engineered Wetland (Lake Manzala)	Dec-91	Jul-92	Jul-92	Aug-92	Sep-92	Sep-92	Dec-92	Mar-93				
ECA/ MENA	V	Regional	Development of Programmes & Approaches for a Regional Strategy for Reduction of Greenhouse Gases	Mar-92	*	Jul-92	Dec-92	Jan-93	Feb-93	May-93					
Global	I	Global	Emissions of Global Warming Gases from Rice Fields	*	*	*	N/A	Jul-91	Feb-91	May-91	*	N/A		Jun-92	Jul-92
Global	I	Global	Monitoring of Ozone and Greenhouse Gases	*	Mar-91	*	N/A	Jul-91	Feb-91	May-91	Jul-91	N/A	Sep-92	Oct-92	Jan-93
Global	II	Global	Support for Regional Centers for International Oceans Training	*	Sep-91	Oct-91	N/A	Sep-91	Sep-91	Dec-91	Jan-92	N/A	*	Oct-92	
Global	III	Global	START: Global Change Systems for Analysis Research and Training	*	Jan-92	Mar-92	N/A	Feb-92	Feb-92	April-92	Oct-92	N/A	Feb-93	May-93	May-93
Global	IV	Global	Alternatives to Slash & Burn Research Initiative	*	*	*	Aug-92	Sep-92	Sep-92	Dec-92	*	N/A			
Global	V	Global	Technical Support to the Conventions	*	Jul-92	Jan-93	Dec-92	Jan-93	Feb-93	May-93	Jun-93	N/A			
LAC	I	Regional	Strategies for the Conservation and Management of Natural Resources (Amazon)	Jan-91	Jan-91	*	N/A	Jul-91	Feb-91	April-91	Aug-91	*	Sep-92	Jan-93	Mar-93
LAC	I	Colombia	Conservation of Biodiversity in the Choco Region	*	Dec-90	*	N/A	Jul-91	Feb-91	April-91	*	*	Jan-92	Feb-92	Sep-92
LAC	I	Guyana	Programme for Sustainable Tropical Forest Management	*	Jan-91	*	N/A	Jul-91	Feb-91	April-91	*	*	*	Apr-92	Feb-93
LAC	II	Cuba	Biodiversity Protection & Sustainable Development in Sabana-Camaguey Archipelago	Jul-91	Aug-91	Oct-91	N/A	Sep-91	Sep-91	Dec-91	Sep-92	*	*		

(continued)

(Annex 4 continued)

UNDP/GEF

Region	*Tranche*	*Country*	*Project Name*	*GEF/ Coord.*	*UNDP Head-quarters*	*External*	*Inter Bureau PAC*	*STAP Review*	*Implementing Committee*	*Project Manag. Clearance*	*Formulation Mission*	*Field Office PAC*	*Headquar-ters PAC*	*AC Approval*	*Signature Proj. Due*
LAC	II	Costa Rica	Conservation & Sustainable Development in La Amistad and La Osa Reserves	Jul-91	Jul-91	Aug-91	N/A	Sep-91	Sep-91	Dec-91	Sep-92	Feb-93	Apr-93	Apr-93	May-93
LAC	II	Brazil	Biomass Gasification & Gas Turbines	*	Jul-91	*	N/A	Sep-91	Sep-91	Dec-91	*	Jul-92	Aug-92	Sep-92	Sep-92
LAC	II	Belize	Sustainable Development & Management of Biological Diverse Coastal Resources	*	Jul-91	Jul-91	N/A	Sep-91	Sep-91	Dec-91	May-92	Sep-92	*	Feb-93	Mar-93
LAC	II	Argentina	Patagonian Coastal Zone Management Plan	*	Aug-91	Aug-91	N/A	Sep-91	Sep-91	Dec-91	*	*	Feb-93	Feb-93	
LAC	II	Peru	Technical Assistance for the Center for Energy Conservation	*	Jul-91	Aug-91	N/A	Sep-91	Sep-91	Dec-91	*	*	Feb-93	Nov-92	Feb-93
LAC	III	Dominican Republic	Biodiversity Conservation & Management in the Coastal Zone	Dec-91	Jan-92	Jan-92	N/A	Feb-92	Feb-92	April-92	Sep-92				
LAC	III	Regional	START: Global Change Systems for Analysis Research and Training (Sub-project)	*	Jan-92	Mar-92	N/A	Feb-92	Feb-92	April-92	*				
LAC	III	Uruguay	Conservation of Biodiversity in the Eastern Wetlands	Aug-91	Aug-91	Sep-91	N/A	Feb-92	Feb-92	April-92	*	Aug-92	Nov-92	Nov-92	Apr-93
LAC	IV	Chile	Reduction of Greenhouse Gases	May-92	Aug-92	Aug-92	Aug-92	Sep-92	Sep-92	Dec-92	May-93				
LAC	V	Regional	Monitoring & Research Network for Ozone Depletion and Greenhouse Gases in the Southern Cone	*	Apr-92	Sep-92	Dec-92	Jan-93	Feb-93	May-93					

N/A Not applicable.
* Data not available.
Note: Information as of June 30, 1993.

Annex 5: Trust Funds in GEF Projects

Annex 5: Trust Funds in GEF Projects (as of June 30, 1993)

Country	*Project Name*	*GEF Funding (in US $ millions)*	*Cofinancing (in US $ millions)*	*Trust Fund Information*
Bhutan	Trust Fund for Environment Conservation	10.0	WWF - 1.0 Govt. of Netherlands - 0.948 Govt. of Norway - 0.587	The Bhutan Trust Fund for Environment Conservation is supposed to total US $20 million (US $10 million from GEF) with the rest coming from other donors. However, getting donors to contribute to it is proving to be difficult.
Bolivia	Protected Areas System	4.5	SDC - 3.9	US $.01 million from the GEF grant will be used to establish the trust fund. The Dutch may provide about US $5 million to it as initial support.
Brazil	Biodiversity Conservation	30.0	According to the current version of the project (not approved as of June 30, 1993) two of the sub-projects would get cofinancing from the private sector.	The GEF project is designing a "sinking fund" trust and US $20 million from the GEF grant will be given to it. The Brazilian Government is expected to match the contribution.
Congo	Wildlands Protection and Management	10.0	USAID - 2.2 US Peace Corps - 0.4 Howletts & Port Lympne Foundation - 0.2	US $342,000 from the GEF grant will be used to support the legal and technical engineering and associated publicity required to establish the trust fund but the GEF project will not contribute to its financial endowment.
Laos	Wildlife and Protected Areas Management	5.0	FINNIDA - 5.6 IDA - 8.7	Nothing has been earmarked for the trust fund so far.
Peru	Biodiversity Conservation	4.0	—	The entire GEF grant will be vested in the trust fund but no other donors have been identified (as of June 30, 1993).
Philippines	Conservation of Protected Areas	20.0	—	The GEF project is designing a "social fund" to which US $10 million from the GEF grant will be given.
Poland	Protection of Forest Biodiversity	4.5	—	US $25,000 from the GEF grant will be used to develop the Bialowieza Primeval Forest Foundation's legal and financial structure, operational procedures and the terms of reference for operations. The MacArthur Foundation has pledged US $300,000 for the trust foundation.
Romania/ Ukraine	Danube Delta Biodiversity	6.0	2.0 to 2.5 cofinancing sought	US $200,000 from the GEF grant will be used to establish the legal and administrative arrangements of the trust fund. The total amount proposed for the fund is US $20 million to be raised from unidentified sources.

Seychelles	Biodiversity Protection and Abatement of Marine Pollution	1.8	—	The Dutch have pledged support (amount unspecified) for a trust fund for management of coastal ecosystems, biodiversity protection and institutional strengthening and are expected to ask the Bank to administer it.
Slovak Republic	Planning and Management of Slovak Reserves	2.0	—	The GEF project is designing a tripartite trust fund with Poland and the Ukraine as additional beneficiaries. US $600,000 from the GEF grant is to be contributed towards it. Other donors (unspecified) have been identified.
Uganda	Biological Diversity Conservation	4.0	USAID - 30.0	The full GEF grant will be vested in the trust fund. Other potential donors are being identified.

— Not applicable

Annex 6: List of GEF/Small Grants Programme Countries

Operational Countries

These are countries in which the government has approved the programme, a Headquarters Mission has taken place, the National Coordinator and/or host NGO has been contracted, the National Selection Committee has been formed, and the country budget has been approved. One exception is Turkey which is operational even though a National Coordinator has not yet been recruited.

Africa	*Arab States*	*Asia*	*Europe*	*Latin America*
Botswana	Egypt	Indonesia	Turkey	Belize
Burkina Faso	Jordan	Nepal		Bolivia
Cameroon	Tunisia	Pakistan		Chile
Cote d'Ivoire		Papua New Guinea		Costa Rica
Ghana		Philippines		
Kenya		Thailand		
Mali				
Senegal				
Zimbabwe				

Note: Countries that will be operational by the end of 1993 are Barbados, Dominican Republic, Mauritius, Mexico, and Sri Lanka.

Independent Panel of Experts: Report to the Chairman and Participants of GEF

1. INTRODUCTION

1.1 An independent panel of experts was created to advise on the evaluation process. It included representation from Participants (Kenya, France), and experts appointed by the GEF Chairman. The Chairperson of the Panel is Dr. Alvaro Umana and the other members are Ms. Monique Barbut, Mr. Rudolf Hoegger, Hon. Mathias B. Keah, Dr. Ashok Khosla, Mr. Jean Quesnel and Ms. Erna Witoelar.

1.2 The terms of reference for the Panel included:

a) Providing overall guidance to the evaluation process;

b) Providing technical and organizational guidance to the evaluators;

c) Receiving and synthesizing outside opinion, including that of Participants, NGO's beneficiary institutions and others, as a basis for advising Participants and/or the evaluators; and

d) Identifying, on the basis of the GEF ongoing work, areas for further evaluation in the future.

1.3 The Panel understood that in its Pilot Phase, GEF was established as a partnership among the Implementing Agencies as a mechanism for international cooperation for the purpose of providing additional grant and concessional funding to meet the agreed incremental cost of measures to achieve global environmental benefits in the following focal areas:

(1) climate change;
(2) biological diversity;
(3) international waters; and
(4) ozone layer depletion.

1.4 In carrying out its mandate, the Panel met four times during the evaluation process. It held extensive discussions with the GEF Secretariat (Chairman, Administrator and staff), the Evaluation Managers and Implementing Agencies, and clarified the understanding of the terms of reference of the evaluation and the Panel. The Panel gave counsel and overall guidance to the evaluation process by emphasizing key areas upon which conclusions and recommendations needed to be made.

1.5 In addition, the Panel conducted its work through meetings with representatives of NGO's, Implementing Agencies and beneficiary institutions. A full one-day meeting was convened in Washington for the NGO community and organized by IUCN, as well as several regional and national meetings organized by members of the Panel.

1.6 Members of the Panel also attended Participants' Assembly meetings and took note of governments' contributions in the GEF evaluation process.

1.7 The Panel received the interim report and made comments on areas that needed greater attention in the final report.

1.8 The Panel reviewed the final report prepared by the Coordinator and the Evaluation Team. It met with the Evaluation Team, Evaluation Managers, the Representatives of the Implementing Agencies and a section of the Washington-based NGOs and ascertained their views on the final report.

1.9 This report was adopted by the Panel at its meeting of November 22–24, 1993.

1.10 The Panel takes this opportunity to express appreciation for the spirit of cooperation and transparency, which characterized the exchanges with all who gave support, especially the Implementing Agencies, the evaluation teams and the GEF Secretariat. We are particularly grateful to Mr. Haven North, who coordinated the evaluation reviews, as well as to the evaluation managers of the three implementing agencies for their inputs and unhesitating support to our work. Finally, the Panel wishes to thank the Chairman and Participants for the confidence placed on them.

2. OBSERVATIONS ON THE EVALUATION PROCESS

2.1 The GEF Pilot Phase is made up of 112 projects, none of which are at a sufficient level of implementation to make an evaluation meaningful. Therefore this exercise cannot be considered as an evaluation of results. It will take several years for the majority of the projects to reach the stage where they can be evaluated by results and impact. The evaluation has focused more on processes and intentions, on how the package of projects was put together.

2.2 Although it was universally agreed, by Participants, Implementing Agencies, and the evaluation teams to deliver the evaluation report to the GEF meeting in December 1993, the time frame has proved to be too tight. Therefore, at the November meeting the Independent Panel of Experts agreed that a number of topics, including matters of GEF governance, a detailed review of the functions and responsibilities of the Participants, the inter-relation of the Conventions with the GEF, could not be included in this evaluation.

2.3 The evaluation was also characterized by complexities that are seldom present such as the specialization needed for the focal areas, the presence of three individual evaluation teams from each Implementing Agencies, the lack of self-evaluation by the management of each Implementing Agency and the presence of the Independent Panel of Experts (IPE) itself.

2.4 The early suspicions engendered by the evaluation process, particularly in the community of NGOs have led to the commissioning of parallel evaluations by NGOs which the Panel could not ignore. Individually and collectively, the Panel members spent considerable time with NGOs to establish confidence in the present evaluation process and faith in its independence and objectivity.

2.5 For the Evaluators it was difficult to conduct their work under conditions of very high visibility and public pressure, where the level of distrust was considerable on all sides, and their credibility and independence questioned frequently. The Evaluators felt that the existence of the IPE, with its specific mandate of receiving and synthesizing outside opinion, shielded them somewhat from extreme outside pressure. The Panel made every effort to obtain the opinion of all constituencies and guarantee a climate of transparency and oneness.

2.6 The level of cooperation among the Agencies for the evaluation has evolved over time. Originally, it was intended that each agency would conduct its own evaluation and the three reports would be integrated into one under the supervision of an outside coordinator. However, by July, the evaluation teams were able to agree to present a single, unified report. Twenty-five persons worked together on the evaluation with commendable synergy. Despite this positive experience, the Panel feels that future evaluations of GEF should be conducted under the clear and unambiguous guidance of one coordinator who should be responsible for choice of evaluators. The Agencies must collaborate in the evaluation, but the responsibility of conducting the evaluation should not be split.

2.7 The evaluation has also clearly shown the need for on-going evaluation within the GEF. We urge the Participants to explicitly write the necessary principles into the revised status of GEF which is currently under examination.

2.8 Thus, the evaluation process was a microcosm of the GEF itself, and as such, it was characterized by some of the same problems that occurred during the Pilot Phase. Some of these characteristics were:

- Extreme time pressure to complete the evaluation for the December 6, 1993 deadline;
- High level of public attention, especially by the Participants, NGOs and Implementing Agencies;
- Considerable mistrust about independence of the evaluation process;
- Rapidly changing conditions of the GEF Pilot Phase and Implementing Agencies' response which made it a moving target;
- Lack of an appropriate information base and monitoring function in the Implementing Agencies;
- Comprehensive terms of reference for the evaluation process approved by the Participants.

3. OBSERVATIONS ON THE QUALITY OF THE EVALUATION

3.1 The Terms of Reference for the Independent Panel of Experts charged it with the mandate of guiding and advising the evaluation process and providing technical and organizational guidance to the evaluators. The Panel had the responsibility of providing overall guidance to the evaluation process, ensuring ultimately the delivery of an objective and credible evaluation report.

3.2 The members of the Panel undertook to make the evaluation exercise as relevant and constructive as possible in light of the on-going activities led by the Participants. The Panel through the evaluation process promoted a positive attitude for the evaluation by recognizing that GEF is a rapidly changing experiment and by focussing on the lessons that could be applied to the design of GEF II.

3.3 In order to improve the usefulness of the evaluation results, the Panel pressed the evaluators to comply with a very tight schedule. Special efforts were made to prepare the interim report so that the evaluation findings could be made available to the Participants for the on-going negotiations on GEF II.

3.4 The evaluation methodology took due consideration of the evolving nature of the GEF. There was adequate rigor in planning as can be seen by the evaluation plan prepared and followed.

3.5 At the outset, the information needed for the evaluation had to be generated at considerable cost. There was virtually no information data base or consistency of reporting on GEF activities. The Panel is satisfied that the information on the GEF used for the evaluation is reliable. The Panel is also satisfied with the evaluation instruments employed by the evaluation teams. A unified information system across Implementing Agencies should be adopted immediately.

3.6 At all stages of the evaluation process, the Panel were impressed with the genuine commitment of the evaluators to the integrity of the evaluation process. The members of the Panel observed a clear professional separation between the evaluators and line managers, thus guaranteeing independence of their view. The panel also saw clear evidence that the evaluation managers of the implementation agencies ensure the professional independence to the evaluators.

3.7 The evaluation process was open. Efforts were made to keep the process transparent. Stakeholders were given the opportunity to comment and have had access to draft reports. The professional expertise of the evaluation team was of a high standard.

3.8 Despite the constraints of time, the evaluation approach took care to consult all GEF stakeholders. To the extent possible, information was made available to those who asked for it. Hence, there was an effort to allow as much participation as possible.

3.9 In the view of the Panel members, the evaluation process resulted in a clear, balanced and well documented report.

4. ENDORSEMENT OF THE EVALUATORS' OVER-ALL ASSESSMENT AND RECOMMENDATIONS

4.1 The evaluation covers a very diverse range of issues and problems. First, there are the problems of project and program implementation, ranging from the need for more participation of local communities to the questions of financial flows or of built-in evaluation. The second set of issues concerns the many questions linked to the GEF institutional framework, such as the internal decision systems of the three implementing agencies or the various forms of their mutual competition and cooperation. A third area pertains to the basic mission of GEF, its programme objectives and strategies. The fourth field covers the differences of opinion, the compromises and the decisions of the participants themselves.

4.2 However the Panel believes that all these apparently different problem areas are actually closely interlinked. For example, the problems of implementation cannot be understood without looking at the problems of the GEF institutional framework. These, in turn, need to be seen in the perspective of a number of unresolved questions of strategy and concept. With the latter, one is inevitably led back to the question of how well the funders and the Participants have been able to provide the necessary guidance to the activities undertaken by the three Agencies.

4.3 The Panel's agreement with the over-all assessment of the evaluators, is based on their view that it refers to this complex set of issues in its entirety - i.e. to GEF as a whole. This should not be taken as criticism of the individuals who have worked out the existing mechanisms and proposed the many projects which are now about to be implemented. The major shortcomings of GEF are *not* linked to individuals but rather to systemic problems and the general nature of the participating institutions, the nature of inter-institutional process and the constraints under which all parties involved have had to operate right from the beginning. They are also - and perhaps mostly - due to the tremendous time pressure that everyone has worked under throughout the last three years.

4.4 In the light of the foregoing considerations, and of detailed discussions with the evaluators and the Agencies, the Panel endorses the overall assessment and the recommendations contained in Chapter 2 of the report.

4.5 The Panel shares the evaluators' view that the organizational framework of GEF and its operational guidelines did not ensure an effective and efficient use of GEF resources. The Panel does, however, recognize and commend the enormous efforts, commitment and professionalism of the staff of the GEF Secretariat, the Agencies, and STAP in implementing the Pilot Phase.

4.6 It is the Panel's unanimous conviction that it is the Participants' primary responsibility to bring about fundamental change and improvement in GEF. By deliberately reducing the enormous time pressure, by slowing down the further allocation of funds and by giving priority to articulating more clearly GEF's mission, objectives and strategy, the Participants must pave the way for the solution of so many other problems and for the improvement of GEF's performance.

4.7 The Panel notes with satisfaction that the Participants — while holding negotiations about the restructuring of GEF — have already undertaken steps in a direction which is very similar to the one proposed by the evaluators. However, further consideration will have to be given to the necessary reforms of GEF leadership, management and organizational relations. These are key elements to ensure an effective and efficient use of GEF resources.

5. ADDITIONAL RECOMMENDATIONS OF THE PANEL

During the many discussions the Panel had on GEF issues, the following appear to be particularly important:

5.1 To overcome misperceptions on the role of the GEF and false expectations from its operations, the GEF secretariat should work closely with the Participants to develop a communication strategy that can create widespread awareness of its work among governments, NGOs and other parties interested in global sustainable development.

5.2 While the concept of "incremental cost" is intellectually quite interesting, it is not sufficiently precise for use as the basis of operational decisions in all focal areas. Research, supported by GEF, and aimed at elucidating this concept further, continues. In the meantime, project approval should not be held up on account of this criterion alone. Other proven economic criteria should be applied to the selection of GEF activities.

5.3 The project approach that characterized the Pilot Phase should be replaced by a program approach which is better targeted and more coherent.

5.4 GEF activities and machinery need to be more transparent, particularly by setting up clear and simple procedures for project identification. A biennial pipeline of possible projects would cater more effectively to the requirements of project gestation and strategic continuity.

5.5 The design and implementation of work programs and of projects would gain if NGOs, researchers and concerned communities were closely associated with these activities.

5.6 The Implementing Agencies should delineate clear areas of competence and responsibility to ensure accountability and operational synergy.

5.7 A performance assessment and result-oriented evaluation system for GEF operations should be drawn and approved by the Participants.

5.8 The Implementing Agencies should minimize financing projects that are self-standing, and focus on catalytic activities that can be better integrated within their normal activities.

5.9 Finally, the Panel recommends to the Participants an urgent review of the following topics:

(a) An elaboration of the monitoring and evaluation processes that should be established in conjunction with GEF II. This topic relates to recommendation 5 of the Evaluation Report: Establish a permanent mechanism for identifying lessons and promoting their application in GEF program.

(b) An in-depth review of national environmental policies and strategies as a basis for the introduction of global environmental concern and objectives in a particular country.

(c) GEF urgently needs to evolve more flexible approaches (including the strengthening of the Small Grants Programme) to developing and funding innovative projects and programs exploring alternative strategies within the focal areas, and to support initiatives aimed at building local capacities in these areas.

(d) A survey of the capacities of the international and non-governmental organizations to carry out GEF programs.

6. THE NEED FOR FURTHER EVALUATION

As part of its mandate, the Panel considered issues related to future evaluations of the GEF. In the course of the next few years evaluation efforts will be needed on the following subjects:

6.1 Review of actions resulting from the 1993 Independent Evaluation of the GEF Pilot Phase.

6.2 Review of Pilot Phase program.

(a) In-depth review of the projects initiated during the pilot phase covering their status, contribution to the global environmental objectives, funding arrangements, innovation lessons, developments in participation, policy linkages, and sustainability (financial, institutional, policy context).

(b) Patterns of interventions by focal areas and changes from the Pilot Phase in GEF II; potential contribution to the protection of the global environment.

6.3 Organization and management of the GEF

(a) developments in the restructuring of the GEF and the administration of GEF operations;

(b) an in-depth examination of Implementing Agency staffing plans, administrative costs, overhead rates, financial management procedures, and comparative administrative/ program costs ratios.

6.4 The influence of the GEF

(a) on developing country policies and practices related to global environmental objectives;

(b) on the policies and practices of the implementing organizations;

(c) on the donor community generally.

6.5 The GEF, UNCED objectives, and the Conventions

(a) focal area coverage and UNCED objectives for the global environment;

(b) relationships with the Biodiversity and Climate Change Conventions.

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