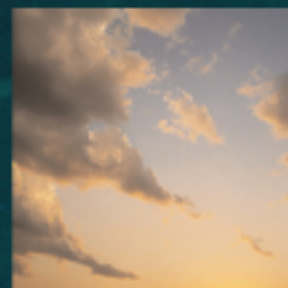
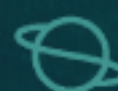


OPS3: Progressing Toward Environmental Results

COMPLETE REPORT



Third Overall Performance Study of the
Global Environment Facility



GLOBAL
ENVIRONMENT
FACILITY

OPS3: PROGRESSING TOWARD ENVIRONMENTAL RESULTS

THIRD OVERALL PERFORMANCE STUDY OF THE GEF

June 2005



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FOREWORD

The Global Environment Facility is replenished by donors every four years. Ideally, any replenishment should be based on the achievements so far and the problems that need to be addressed in the coming years. The fourth replenishment, which will be negotiated and agreed in the second half of 2005, will be informed on the achievements of the GEF through the present “Overall Performance Study,” which is the third of its kind. It provides an overview of the results in dealing with global environmental problems and it also looks at how the GEF functions as a network and partnership of institutions and organizations. Given the fact that the GEF is the main financial mechanism for several global environmental conventions, the report amounts to a review on what governments are doing to improve the global environment. It also provides an indication of the status of some of the most important global environmental issues.

Any impression that the GEF on its own would be able to solve global environmental problems needs to be qualified immediately. The world community currently spends approximately US \$ 0.5 billion a year on solving these issues through the GEF. The problems are immense. Any solution would need the strong involvement of many other actors. The amount of Green House Gases emissions continues to increase. Extinction of animal and plant species continues. Pollution and waste treatment pose enormous challenges. Access to safe water is not ensured and even endangered for many people. Land degradation is a huge problem in many countries across the world. The only global environmental problem that is almost solved is that of the elimination of ozone depleting substances. For all of these problems, the GEF contribution needs to be seen in its proper perspective as a catalyst or innovator rather than as the direct purveyor of international public goods.

My personal assessment of this study is that it provides a solid basis for discussion and decisions on the fourth replenishment of the GEF. The questions of the Terms of Reference of the study have been addressed. It provides an authoritative overview of the current state of knowledge in the GEF about its results. Furthermore, it gives a challenging picture of the GEF as a network of organizations and institutions. The report is consistent with the methodology presented in Inception and Interim Reports. The study draws on data gathering and analysis based on literature review, evaluative evidence in the GEF (mainly from studies of the GEF Office of Monitoring and Evaluation) and extensive stakeholder consultations and country visits.

The current state of knowledge about results in the GEF is well presented, as well as shortcomings concerning these results. Furthermore, the strategic choices are identified that the GEF is facing in reaching (and maintaining) these results. The difficulties of sustaining results is highlighted and the catalytic role of the GEF receives due attention. Last but not least the study contains many recommendations and suggestions for increasing the results orientation of the GEF in the fourth replenishment period.

It should be noted that OPS3 did not do an independent empirical assessment of the environmental results that were achieved by the GEF. This was not possible given the time limitations of the study. To explain why this is the case, let me turn back to the origin of OPS3. The GEF Council attached great importance to the independence of the OPS3 team from GEF management, and devoted extra time and energy to ensure that this would be the case. In the first half of 2004, when preparations for the Third Overall Performance Study started, the monitoring and evaluation unit of the GEF Secretariat was not yet fully independent. As a result, Council decided to take the final drafting of the terms of reference for the study in its own hands. This took longer than initially expected, which meant that the tendering process for the study started relatively late in June 2004. The study started in September 2004, which meant that the actual time available was reduced significantly, since it still had to be finalized in April 2005 in order to feed into the replenishment process. This meant that given the scope and range of the questions in the terms of reference, no empirical data gathering on environmental results was possible.

The tendering process was handled by the Operations Evaluation Department of the World Bank in July and August of 2004 in a timely and professional manner. The tender was won by ICF Consulting and its international partners. In August and early September 2004 contract negotiations took place. Furthermore, in early September I started in my position as Director of Monitoring and Evaluation. My arrival meant that the monitoring and evaluation unit of the GEF Secretariat changed into the independent GEF Office of Monitoring and Evaluation. As required by the Terms of Reference of OPS3, as Director of Monitoring and Evaluation I provided oversight of the process, ensuring that the terms of reference were being followed. Furthermore, a High Level Advisory Panel was established as part of the technical backstopping, reporting directly to me and providing written comments on all deliverables.

The GEF Council in its session in November 2004 requested me to work with the study team to ensure consistency and high quality in the field analyses to be undertaken by the team. To this end, further discussions were held with the study team on the composition of field teams and the preparation of field visits. I participated fully in one field visit and regional meeting to witness the team in operation. This led to a satisfactory conclusion on the preparedness and openness of the team concerned.

The primary way in which the time limitations were addressed by the study team was through fielding a large team of mostly senior experts. This approach is sound in itself, but led to some unanticipated difficulties when it turned out that no proper sequencing of efforts could take place. Ideally, the desk review of evaluative evidence would have finished before the field visits and interactions with stakeholders took place. A more systematic agenda for checking the reality behind literature and evaluative findings in field visits could have been developed if there had been sufficient time. In reality, the desk review and the field visits and consultations had to run in parallel. It seems to me that these difficulties raised concerns on first the quality of the field work and second on the (lack of) emergence of findings in early stages of the analysis. These concerns were raised by several Council members in November 2004 (on the quality of field visits) and in February 2005 (on the lack of emerging findings on results of the GEF) and by the High Level Advisory Panel at several occasions.

The field visits were logistically difficult to arrange for. Often dates and agendas had to be changed, sometimes at the last moment. In November, the study team promised to involve itself at an adequate level (senior and mid-level participation) and that counterparts from developing countries would participate. This was realized for most, but not all, of the workshops and field visits. The workload was increased when some workshops were added on the request of the Council (notably Cuba and Fiji), as well as an informal exchange with Council members in Paris in February 2005. The regional workshops were generally well attended.

Although these constraints and added milestones and meetings limited the time available even further the process has been managed by the team in a truly exemplary manner. Many evaluation managers would have buckled under the pressure and have asked for a delayed delivery of the final product. The study team, under the leadership of Mark Wagner, has not done this and has excelled in keeping the whole process within the time limits set for it. Given the scale and the scope, this is to be applauded.

During the study, the team did take the advice of the High Level Panel on board in various ways. Furthermore, the interactions of the team with the GEF Council and with GEF Council members have helped to focus the study on the issues that are important for the replenishment process.

In many respects the Third Overall Performance Study was a global effort and therefore there are many people from around the globe that should be acknowledged in making it possible. The ICF Consulting OPS3 team, led by Mark Wagner, and the GEF Office of Monitoring and Evaluation OPS3 support team, led by Claudio Volonte, should be recognized first of all. Both of these teams ensured that the final report was technically sound and prepared with high professional standards. The entire GEF Office of Monitoring and Evaluation was involved in the exercise and provided essential inputs through the preparation of studies of the three main GEF focal areas which constituted the basis for OPS3's assessments on results. The High

Level Advisory Panel, chaired by Nancy McPherson, provided critical comments that pushed the study team to improve the quality of the analysis and final report.

Council members also should be acknowledged for their active participation from the preparation and approval of the Terms of Reference to extensive comments on several of the products produced by the study team. Staff of the GEF Secretariat, GEF Implementing Agencies and global convention Secretariats as well as many of the STAP members provided many valuable hours of their time throughout the process. I would also like to acknowledge the very active and open contribution made by GEF Focal Points and representatives of the many NGOs from around the globe that participated in the extensive consultation process conducted by the study team, probably the most extensive one so far in the history of the GEF. Finally, but not least, I would like to thank the national and local governments as well as the GEF project teams that opened their doors to share their experiences during the visits conducted by the OPS3 teams. Although it is impossible to accurately portrait the extensive tapestry of GEF activities in a report like this one the projects that were visited helped the study team to recognize the richness and uniqueness of GEF experience.

Rob D. van den Berg
Director of Monitoring and Evaluation

PREFACE

The team for the Third Overall Performance Study of the GEF (OPS3), which took place between September 2004 and June 2005, was charged with evaluating the 1) results of GEF activities, 2) sustainability of results at the country level, 3) GEF as a catalytic institution, 4) GEF policies, institutional structure and partnerships, and 5) GEF implementation processes. From the onset, our team viewed the evaluation as an opportunity to evaluate the progress of GEF activities, and also to set the stage for future evaluations.

This perspective was essential to avoid the development of a static evaluation (a “snap shot”) for a dynamic and evolving institution such as the GEF. As such, OPS3 attempted to place all analyses, findings, and recommendations in the context of the future. In particular, we asked the question, “What information will OPS4 and future evaluations need to conduct analysis, and how will having this information ensure the success of the GEF?”

One of the key challenges for OPS3 was collecting and assessing results. While results are critical to project success and aggregated results are essential to the evaluation process, this information is not always available in the GEF system. This difficulty is attributable to a range of factors, but most importantly to limited baseline data, inconsistency on what will be measured and how, a vast array of projects with differing goals, and nascent centralized data collection systems. All of these issues are overlaid by very high expectations for achieving global environmental benefits.

While there clearly has been progress in the GEF system and while all stakeholders are more informed, and processes are better off, than they were 4 years ago, when OPS2 took place, further attention is needed in certain core areas. In particular, if the GEF is to be robust, there must be continued dialogue on baseline setting and, specifically, how to define baselines in the face of a moving target, for example, as additional species are catalogued or abandoned stockpiles of POPs are uncovered.

Additionally, measuring results relative to these often shifting baselines can be difficult, and while improvements are being made in data collection, verification, and analysis, it is critical that simple procedures for gauging results be agreed upon. Simple measures of results will be more practical for tracking progress than the use of complex, resource intensive measurement schemes. To house this ever growing universe of data, transparent, centralized data systems, accessible to all parties will be necessary to enable future evaluations.

Collaboration is critical to success. Improving outcomes and results will depend on furthering the emerging acknowledgement of the GEF as a network – collaboration between the parts of various institutions that focus on the GEF. By realizing the advantages of this network arrangement, the effectiveness of the GEF can be improved, but it will take compromise and a willingness to work towards the utility of all – to sacrifice self interest for the overall good of the system.

During the field study portion of our evaluation, the OPS3 team spoke to more than 600 GEF stakeholders from country governments, Implementing and Executing Agencies, NGOs, GEF project managers, and representatives from the private sector and civil society, in addition to representatives of the GEF Council, the GEF Secretariat, and the Scientific and Technical Advisory Panel. The leadership of the Office of Monitoring and Evaluation, especially the newly appointed director Robert van den Berg and his staff, notably Claudio Volonte, was integral to the success of this study and made our work more targeted than would have otherwise been possible. Their help in establishing a High Level Advisory Panel and in orchestrating panel interactions also was instrumental. Further, the contributions of the High Level Advisory Panel itself improved the quality of the evaluation.

Across all of the groups with whom we interacted, there was a great commitment to the GEF and its mandate, a great enthusiasm for the work being undertaken, and eagerness to demonstrate success. We hope that the recommendations put forward by OPS3 will be helpful in moving the GEF's agenda forward in achieving global environmental benefits in a sustainable way.

Finally, I would like to personally acknowledge my colleagues at ICF Consulting and our regional partners for their creativity, thoughtfulness, and dedication to this evaluation.

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ACRONYMS AND ABBREVIATIONS

ABS	Access and benefit sharing	FUNBIO	Brazilian Biodiversity Fund
ACTUAR	Asociación Costarricense de Turismo Rural Comunitario	GEF	Global Environment Facility
ADB	Asian Development Bank	GEF-1	Restructured GEF, fiscal 1995/98
AfDB	African Development Bank	GEF-2	Restructured GEF, fiscal 1999/2002
ARPA	Amazon Region Protected Areas Program	GEF-3	Restructured GEF, fiscal 2004/06
ASP	African Stockpile Program	GEF-4	Restructured GEF, fiscal 2007/10
BPS	Biodiversity Program Study	GEFM&E	GEF Monitoring and Evaluation Unit
CAS	Country Assistance Strategy	GEFSEC	GEF Secretariat
CBD	Convention on Biological Diversity	GHG	Greenhouse gas
CCPS	Climate Change Program Study	GTZ	German Agency for Technical Cooperation (Deutsche Gesellschaft für Technische Zusammenarbeit)
CCS	Carbon capture and sequestration	GWP	Global-warming potential
CDM	Clean Development Mechanism	HCFC	Hydrochlorofluorocarbon
CDW	Country Dialogue Workshop	HFC	Hydrofluorocarbon
CEITs	Countries with economies in transition	HLP	OPS3 High-Level Advisory Panel
CEO	Corporate Executive Officer	IA	Implementing agency
CFC	Chlorofluorocarbon	IADB	Inter-American Development Bank
CO ₂	Carbon dioxide	ICR	Implementation completion report
COP	Conference of the Parties	IFAD	International Fund for Agricultural Development
CPAP	Country Programme Action Plan [UNDP]	IGO	Intergovernmental organization
DDT	Dichloro-diphenyl-trichloroethane [a POP]	IPCC	Intergovernmental Panel on Climate Change
EA	Executing agency	IPO	Indigenous peoples' organization
EBRD	European Bank for Reconstruction and Development	IUCN	World Conservation Union (formerly International Union for the Conservation of Nature)
EU	European Union	IW:LEARN	The International Waters Learning Exchange and Resource Network
FAO	Food and Agriculture Organization of the United Nations	IWPS	International Waters Program Study
FCCC	Framework Convention on Climate Change	IWTF	GEF International Waters Task Force
FSP	Full-size project		
FSU	Former Soviet Union		

KM	Knowledge management	OECD	Organisation for Economic Co-operation and Development
LDCs	Least developed countries	OFP	Operational focal point
LME	Large marine ecosystem	OME	GEF Office of Monitoring and Evaluation (after 2004)
M&E	Monitoring and evaluation	OP	Operational Program
MAR	Management action record	OP1	Arid and Semi-Arid Zone Ecosystems
MBC	Meso-American Biological Corridor	OP2	Coastal, Marine, and Freshwater Ecosystems
METT	Management Effectiveness Tracking Tool	OP3	Forest Ecosystems
MIS	Management and information systems	OP4	Mountain Ecosystems
MLF	Multilateral Fund of the Montreal Protocol	OP5	Removal of Barriers to Energy Efficiency and Energy Conservation
MMTCO ₂ Eq	Million metric tons of carbon dioxide equivalent	OP6	Promoting the Adoption of Renewable Energy by Removing Barriers and Reducing Implementation Costs
MOP	Meeting of the Parties to the Montreal Protocol	OP7	Reducing the Long-Term Costs of Low Greenhouse Gas Emitting Energy Technologies
MOU	Memorandum of understanding	OP8	Waterbody-Based Operational Program
MSP	Medium-size project	OP9	Integrated Land and Water Multiple Focal Area Operational Program
MT	Metric tons	OP10	Contaminant-Based Operational Program
NAI	Non-Annex I	OP11	Promoting Environmentally Sustainable Transport
NAP	National Action Program (to combat desertification)	OP12	Integrated Ecosystem Management
NAPA	National Adaptation Programme of Action	OP13	Conservation and Sustainable Use of Biological Diversity Important to Agriculture
NBF	National Biosafety Framework	OP14	Persistent Organic Pollutants
NBSAPs	National Biodiversity Strategies and Action Plans	OP15	Sustainable Land Management
NCSA	National Capacity Self-Assessment	OPS	Overall Performance Studies
NDI	National Dialogue Initiative	PCBs	polychlorinated biphenyls (a POP)
NEPAD	New Partnership for Africa's Development	PDF	Project preparation and development facility
NGO	Nongovernmental organization		
NIPs	National Implementation Plans (under POPs)		
ODP	Ozone-depleting potential		
ODS	Ozone-depleting substance		
OED	Operations Evaluation Department [World Bank]		

PEMSEA	Partnership in Environmental Management for the Seas of East Asia	UNEP	United Nations Environment Programme
PIR	Project Implementation Review	UNFCCC	United Nations Framework Convention on Climate Change
PMIS	GEF Project Tracking and Management Information System	UNIDO	United Nations Industrial Development Organization
POP	Persistent organic pollutant	WCMC	World Conservation Monitoring Centre
POV	Point of view	WCST	Wildlife Conservation Society of Tanzania
PPR	Project Performance Report	WSSD	World Summit for Sustainable Development
PROBIO	Brazilian National Biodiversity Project		
PTMS	Project Tracking and Mapping System		
PV	Photovoltaic		
QAG	Quality Assurance Group		
QEA	Quality at Entry Assessment		
QSA	Quality Supervision Assessment		
RAF	Resource allocation framework		
SAP	Strategic Action Program		
SCCF	Special Climate Change Fund		
SGP	Small Grants Programme		
SIDS	Small island developing states		
SLM	Sustainable land management		
STAP	Scientific and Technical Advisory Panel		
STRMs	Short-term response measures		
TDA	Transboundary Diagnostic Analysis		
TE	Terminal evaluation		
TEAP	Technology and Economic Assessment Panel		
TER	Terminal evaluation review		
TOR	Term of reference		
UN	United Nations		
UNAIDs	Joint United Nations Programme on HIV/AIDS		
UNCCD	United Nations Convention to Combat Desertification		
UNDP	United Nations Development Programme		

SECTION I: INTRODUCTION AND APPROACH

1. Introduction

1.1 Purpose and Scope

The purpose of the Third Overall Performance Study (OPS3), commissioned by the Global Environment Facility (GEF) Council, is “to assess the extent to which GEF has achieved, or is on its way towards achieving its main objectives, as laid down in the GEF Instrument and subsequent decisions by the GEF Council and the Assembly, including key documents such as the Operational Strategy and the Policy Recommendations agreed as part of the Third Replenishment of the GEF Trust Fund.” (GEF/C.23/4)

OPS3 follows two previous studies that were similar in nature to that of OPS3; however, as the GEF and its portfolios have matured, so the purpose of an overall performance study has evolved. OPS3 is part of a larger, longitudinal study that will build on the concepts and recommendations of the previous studies and look forward to improvements in GEF operations to set the stage for OPS4. The OPS3 team also recognizes that this study is taking place at a critical time and will provide input that is relevant to the Fourth Replenishment of the GEF Trust Fund, which will be taking place shortly after the publication of the OPS3 study. A primary goal of OPS3 is to provide relevant, timely, and actionable recommendations for each of the Terms of Reference (TOR) areas to support the replenishment process and associated programming.

The scope of OPS3 is defined by the “Terms of Reference for the Third Overall Performance Study of the GEF” (GEF/C.23/4. 2004) approved by the GEF Council on May 21, 2004, and it covers five main themes:

- Results of GEF activities
- Sustainability of results at the country level
- GEF as a catalytic institution
- GEF policies, institutional structure, and partnerships
- GEF implementation processes.

1.2 GEF Instrument and Mandate

As the only existing multiconvention financing mechanism, the GEF serves as such for the Convention on Biological Diversity (CBD), United Nations Framework Convention on Climate Change (UNFCCC), Stockholm Convention on Persistent Organic Pollutants (POPs), and the United Nations Convention to Combat Desertification (UNCCD). The GEF also supports the Montreal Protocol and activities related to international waters. Drawing on the financial contributions of developed-country GEF participants, the GEF provides new and additional funding for the incremental costs of projects in six focal areas: Biodiversity, Climate Change, POPs, Land Degradation, International Waters, and Ozone Layer Depletion.

1.2.1 Establishment of the GEF

In 1991, the GEF was established in the International Bank for Reconstruction and Development (the World Bank) as a pilot facility to assist in the protection of the global environment by providing new and additional funding in the areas of climate change, biodiversity, ozone layer depletion, and international waters. Participants in this phase agreed to a collaborative management arrangement among the three Implementing

Agencies (IAs)—the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), and the World Bank—with the understanding that the three-year program would be exploratory.

In 1994, after several years of negotiation, the GEF was restructured under the guidance of the “Instrument for Establishment of the Restructured Global Environment Facility” (GEF 1994a) (hereafter referred to as the Instrument) and became a permanent mechanism to promote international cooperation and fund projects to achieve global environmental benefits. The network design of the GEF emerged from these restructuring negotiations, during which it was determined that a new, stand-alone institution would not be created.

The Instrument was accepted by representatives of 73 countries and formally adopted by the three IAs. The GEF was mandated to “...operate, on the basis of collaboration and partnership among the IAs, as a mechanism for international cooperation for the purpose of providing new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits” (GEF 1994a) in the stated focal areas.

In 1996, the GEF put forth its Operational Strategy, based on the objectives of the UNFCCC and CBD, the Instrument, and Council decisions. The Operational Strategy was developed through GEF Secretariat (GEFSEC) consultations with the IAs, the GEF Scientific and Technical Advisory Panel (STAP), Conferences of the Parties (COPs) for the two conventions, and regional stakeholders. The GEF Council approved the strategy at its October 1995 meeting. Exhibit 1 presents the 10 operational principles to which the GEF pledged to adhere in carrying out its mission.

The third operational principle of the GEF states that the GEF will provide funding to meet the agreed incremental costs of activities to achieve global environmental benefits. As outlined in the 1996 Council document “Incremental Costs” (GEF/C.7/Inf.5), to calculate incremental costs, “[t]he cost of GEF eligible activity should be compared to that of the activity it replaces or makes redundant. The difference between the two costs—the expenditure on the GEF supported activity and the cost saving on the replaced or redundant activity—is the incremental cost. It is a measure of the future economic burden on the country that would result from its choosing the GEF supported activity in preference to one that would have been sufficient in the national interest.”

Exhibit 1. Operational Principles of the GEF

- 1) For purposes of the financial mechanisms for the implementation of the Convention on Biological Diversity and the United Nations Framework Convention on Climate Change, the GEF will function under the guidance of, and be accountable to, the Conference of the Parties (COPs). For purposes of financing activities in the focal area of ozone layer depletion, GEF operational policies will be consistent with those of the Montreal Protocol on Substances that Deplete the Ozone Layer and its amendments.
- 2) The GEF will provide new, and additional, grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits.
- 3) The GEF will ensure the cost-effectiveness of its activities to maximize global environmental benefits.
- 4) The GEF will fund projects that are country-driven and based on national priorities designed to support sustainable development, as identified within the context of national programs.
- 5) The GEF will maintain sufficient flexibility to respond to changing circumstances, including evolving guidance of the Conference of the Parties and experience gained from monitoring and evaluation activities.
- 6) GEF projects will provide for full disclosure of all nonconfidential information.
- 7) GEF projects will provide for consultation with, and participation as appropriate of, the beneficiaries and affected groups of people.
- 8) GEF projects will conform to the eligibility requirements set forth in paragraph 9 of the GEF Instrument.
- 9) In seeking to maximize global environmental benefits, the GEF will emphasize its catalytic role and leverage additional financing from other sources.
- 10) The GEF will ensure that its programs and projects are monitored and evaluated on a regular basis.

To provide the needed funding to meet these incremental costs, contributing participants pledge resources every four years. The First Replenishment of the GEF was undertaken in 1994, and subsequent replenishments were carried out in 1998 and 2002. The Fourth Replenishment of the GEF is scheduled for 2006, and input from OPS3 will contribute to the negotiations of this replenishment.

1.2.2 GEF Program Activities

As described, the GEF operates in six focal areas that align with the objectives of their respective conventions. In addition to the Biodiversity, Climate Change, Ozone Layer Depletion, and International Waters focal areas, in 2002, the Second GEF Assembly established two new focal areas: Land Degradation (primarily desertification and deforestation) and POPs, and the Instrument was amended accordingly.

Projects proposed for funding under the GEF must be consistent with the Instrument and the GEF Operational Strategy. In particular, in funding activities, the GEF aims to emphasize its catalytic role and to leverage additional financing from other sources. IAs also aim to avoid transfer of negative environmental impacts between focal areas and to take advantage of synergies between focal areas.

Once funding eligibility is confirmed, projects are generally classified in one of three inter-related ways: enabling activities, short-term response measures (STRMs), or Operational Programs (OPs). Additionally, since 1997, limited amounts of GEF funding have also been occasionally granted for goal-oriented research that supports the GEF operational strategy.¹

- *Enabling activities* “are a means of fulfilling essential communication requirements to a Convention, provide a basic and essential level of information to enable policy and strategic decisions to be made, or assist planning that identifies priority activities within a country” (GEF Operational Strategy 1996).
- *Short-term response measures* are activities that are considered sufficiently important for funding, even though they may not be strictly related to an OP or enabling activity. STRMs are expected to provide short-term benefits at a relatively low cost.
- *OPs* represent “a conceptual and planning framework for the design, implementation, and coordination of a set of projects to achieve a global environmental objective in a particular focal area” (GEF Operational Strategy 1996).

Initially, OPs were developed for the Biodiversity and Climate Change focal areas conforming to the program priorities approved by the COPs to those conventions, and for the International Waters focal area based on the priorities determined by the Council. It was decided that the Ozone Layer Depletion focal area would not have an OP, but that activities in that focal area would be focused on STRMs and enabling activities. OPs have since been developed for the Land Degradation and POPs focal areas.

In addition to enabling activities, STRMs, and projects approved under the OPs, projects may also be submitted under the Small Grants Programme (SGP). Established in 1992 to grant funding for community-based initiatives, the SGP currently provides up to US\$50,000 per project in the Climate Change, Biodiversity, International Waters, Land Degradation, and POPs focal areas. The SGP incorporates a separate, streamlined project cycle that is conducted at the national level.

To further direct GEF resources in a way that catalyzes action to maximize global environmental benefits, a strategic planning framework was introduced in GEF’s fiscal 2004/06 Business Plan. As part of this framework, Strategic Priorities were identified in each of the six focal areas. These Strategic Priorities are “consistent with the OPs, guidance from the Conventions, and country priorities...and...reflect the major themes or approaches under which resources are programmed within each of the focal areas” (GEF/C.24/9/Rev.1).

1.2.3 GEF Entities—Roles and Responsibilities

Based on the Instrument, the following GEF entities were charged with these mandates:

- *Assembly*, consisting of representatives of all participants, meets once every three years to “(a) review the general policies of the Facility; (b) review and evaluate the operation of the Facility on the basis of reports submitted by the Council; (c) keep under review the membership of the Facility; and (d) consider, for approval by consensus, amendments to the present Instrument on the basis of recommendations by the Council.”
- *Council*, made up of 32 members that represent regional constituency groupings, is responsible for developing, adopting, and evaluating the operational policies and OPs for GEF-financed activities in accordance with the Instrument and guidance from the Assembly. The Council acts in accordance with program priorities and eligibility criteria as decided by the COPs for the conventions. Among other responsibilities, the Council also reviews and approves work programs and provides guidance to the GEFSEC, IAs, the Office of Monitoring and Evaluation, the Trustee, STAP, and other bodies. The Council meets twice each year.
- *GEFSEC*, headed by the Corporate Executive Officer (CEO)—Chairperson of the GEF, supports and reports to the Assembly and Council. To assist the Council, the GEFSEC (a) implements the decisions of the Assembly and the Council and, in consultation with the IAs, ensures the implementation of the operational policies adopted by the Council; (b) coordinates the development and oversees the implementation of the activities in the work program; and (c) coordinates with the secretariats of the conventions for which the GEF is a financial mechanism and other bodies.
- *IAs*, which include the UNDP, UNEP, and World Bank, develop and implement GEF activities within each of their respective technical competences.
- *STAP* serves a scientific and technical advisory role for the GEF. For example, members of the STAP expert roster review and advise on individual projects.
- *Trustee of the Fund* is the World Bank, which is responsible for the financial management of the Fund, including investment of assets, disbursement of funds to IAs and Executing Agencies (EAs), and monitoring and reporting on the investment and use of the Fund’s resources.

In addition to these entities that received specific mandates in the Instrument, the following entities are important partners in the GEF network and have had evolving roles and responsibilities over the lifetime of the GEF:

- *Monitoring and evaluation (M&E)*: In October 1996, the GEF Council approved a budget and work program for an M&E function. The Third Replenishment of the GEF Trust Fund recommended in 2002 that the M&E unit (GEFM&E) become an independent entity. The TOR for an independent M&E function were approved by the Council in July 2003, and the unit was granted full independence and renamed the Office of Monitoring and Evaluation (OME) in 2004.
- *EAs*: In the Instrument, IAs were allowed to cooperate with EAs to prepare and implement GEF activities. In 1999, the GEF Council approved a policy to expand the number of international organizations that can directly access funding from the GEF Trust Fund through the GEFSEC to prepare and implement GEF-financed activities. This policy of expanded opportunities for EAs was eventually extended to the Asian Development Bank (ADB), African Development Bank (AfDB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IADB), Food and Agriculture Organization of the United Nations (FAO), United Nations Industrial Development Organization (UNIDO), and International Fund for Agricultural Development (IFAD).

- *Nongovernmental organizations (NGOs)*: In the Instrument, IAs were permitted to cooperate with NGOs to promote the purposes of the GEF and to prepare and implement GEF activities. NGOs may also participate in the semi-annual GEF-NGO consultations and the NGO network, the representative of which can make interventions at GEF Council meetings. Additionally, NGOs can prepare and execute medium-size projects as well as projects under the SGP.

1.3 Historical Context for OPS3

The GEF Monitoring and Evaluation Unit (GEFM&E) has coordinated two previous OPSs to evaluate the global impacts and policies that result from the GEF programs. OPSs are conducted by external experts every four years and generate a number of recommendations for the GEF. These recommendations are taken into consideration by the GEF Assembly and used for financial negotiations and decision making.

In 1997, the first OPS (OPS1 [GEF/A.1/4]) was conducted at the request of the GEF Council. The report focused on the GEF's provision of resources as well as country and institutional issues. However, so few GEF projects had been completed at the time that OPS1 could not evaluate program results. By the time OPS2 was conducted in 2001, a subset of projects had been completed and their success documented, allowing reviewers to focus on whether the GEF objectives were being met. Despite the different focuses, OPS1 and OPS2 posed many common questions and came to similar conclusions in many areas. Common themes and issues raised by both reports include:

- Need for additional financial leveraging, including stronger involvement of private sector funds and entities
- Concerns about the functionality of focal point system
- Concerns about IA coordination
- Prioritization of convention guidance and GEF implementation of convention guidance
- Concerns about outreach to stakeholders and GEF visibility
- Effectiveness of institutional organization and management strategies
- Role of the STAP.

In addition to the OPS, every four years, coinciding with the GEF replenishment cycle, the GEFM&E conducts a round of evaluations and studies on all GEF programs. These reviews are fundamental elements of the GEFM&E's work program and are major inputs to the OPS, the GEF replenishment process, and the GEF Assembly. In preparation for the OPS3, the fourth² major GEF-wide review, the following program studies (and other key non-program-area studies) were conducted in 2004:

- GEF Biodiversity Program Study (BPS2004)
- International Waters Program Study (IWPS2004)
- Climate Change Program Study (CCPS2004)
- Progress Report on Implementation of the GEF Operational Program on Sustainable Land Management (GEF/C.23/Inf.13.Rev.2)
- Local Benefits Study (GEFM&E 2004a.–2004h.)

These studies are an essential contribution to OPS3. Their key findings and recommendations are drawn on to complement OPS3 findings in this report.

1.4 Organization of the Report

The remainder of this report is organized around the OPS3 TORs:

- Chapter 2 discusses the **approach and methodology** employed by OPS3.
- Chapter 3 addresses findings and recommendations related to **results of GEF activities**.
- Chapter 4 gives findings and recommendations related to the **sustainability of GEF results**.
- Chapter 5 discusses the success of the **GEF as a catalytic institution**.
- Chapter 6 presents the effects of the **GEF network structure** on results.
- Chapter 7 addresses the effects of **GEF procedures** on results.
- Chapter 8 presents the **main findings of OPS3**.
- Chapter 9 puts forth the **major recommendations of OPS3**.

2. OPS3 Approach

2.1 Developing Thematic Areas of Assessment

Based on its review of the five main areas of assessment outlined in the study TOR, OPS3 grouped the subject matter of the TOR into three broad points of view (POVs) for purposes of data collection and analysis. This allowed for a more focused and thematic approach to research and assessment of GEF performance. These POVs, presented in exhibit 2, are the:

- **Focal area point of view**, which includes each of the six GEF focal areas
- **Cross-cutting point of view**, which includes issues concerning, among other things, sustainability, contributions to global benefits, replicability, incremental cost, country-drivenness, the GEF's role as a catalytic institution, and similar issues that can be observed across the GEF's operations
- **Institutional point of view**, which includes the effectiveness of the GEF's structure, roles, and responsibilities and the core processes the GEF uses for conducting its work

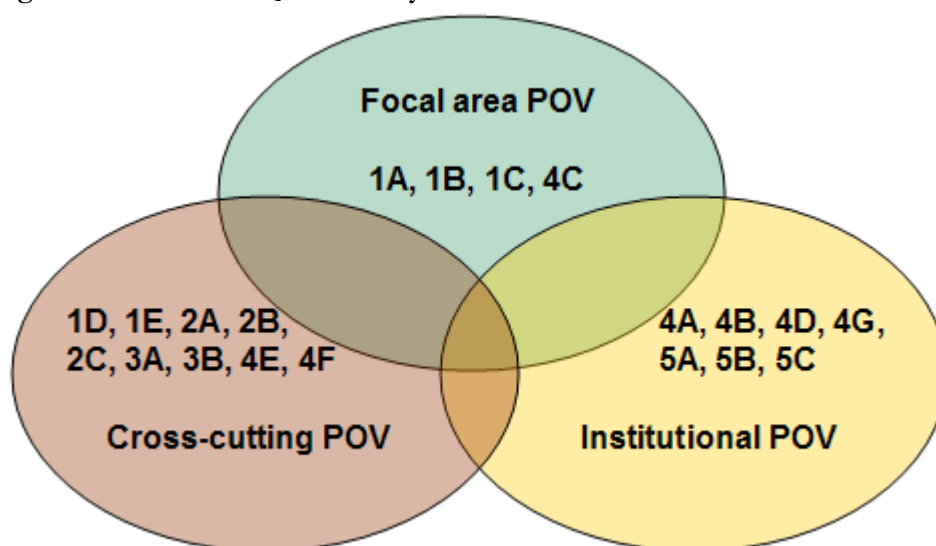
Exhibit 2 describes this general POV framework and indicates which specific TOR areas were considered within each POV grouping. A detailed list of the indexed TOR topics is included in annex A.

2.2 Evaluation Challenges and Strategies

In addressing the various areas of the OPS3 TOR, there were several distinct challenges and requirements that contributed to the OPS3 approach. These are outlined below.

2.2.1 Results of GEF Activities

Given the increasing maturity level of certain GEF portfolios, and in the context of recent dialogue on the results of the GEF, there was a clear focus on assessing results as part of OPS3 (TOR 1). In addition, this is an area where OPS1 and OPS2 were not able to provide any comprehensive assessment, and where expectations for OPS3 were high.

Exhibit 2. Organization of TOR Questions by POV**The OPS3 Role in Results Assessment**

During initial consultations with the OME, discussions were held on how OPS3 would address the results assessment issue, given the objectives of the study, other major recent analyses that had contributed to the study (for example, Program Studies), and various other constraints, such as the general unavailability of impact-level results data and the study timeframe. Three consensus points emerged from these discussions:

- OPS3 should focus on assessing overall results of the GEF at the level of the focal areas, based on available data synthesized in reports such as the recent Program Studies, data gathered through a series of country visits to assess results observed at the country level, and other available summary data.
- The recently completed Program Studies for Biodiversity, Climate Change, and International Waters would serve as one of the *primary* existing sources of detailed data concerning specific results and related issues at the project and focal area level. Consideration of the Program Studies as part of the OPS3 assessment was supported by the Council in the November 2004 summary meeting documentation. (GEF. “Joint Summary of the Chairs, GEF Council Meeting.” November 2004.)
- The research conducted by the OPS3 team during the desk and field study components would look to provide an overview of GEF activities, and would not try to corroborate data at the project level. Instead, the OPS3 team would use information collected in the field to corroborate findings from the Program Studies, OPS1 and OPS2, and the rest of the desk study.

Key Challenges to Results Measurement

After conducting an initial desk review, it was clear that the TOR 1 would be problematic. In particular, there would be problems relating to reporting at the level of long-term quantifiable results or impacts (global environmental benefits). This difficulty had been reported by OPS2 (GEFM&E 2002d) and was similarly raised in the 2004 Program Studies, which also indicated that more recent projects have made progress in including baselines and indicators. However, the results of these newer projects will not be seen for several years. These observations by OPS3, in addition to the scientific literature, pointed to problems such as:

- Most projects do not generate information at the level of long-term quantifiable impacts and, more important, many projects still do not have clear and agreed baselines, indicators of impacts, or methodologies to calculate them.

- Although environmental change may take decades to be perceived or measured, GEF projects on average span a four- to five-year period.
- The GEF does not systematically conduct postcompletion studies to look at long-term results.
- The GEF, as an institution, does not have an overall results measurement framework or methodology to aggregate from project-level impacts to program-level or GEF-wide impacts. There is no existing unified framework in place for systematically defining, measuring, and aggregating results of GEF activities, particularly in terms of global environmental benefits for each of the GEF focal areas.

OPS3 observed that although mechanisms appeared to be in place to guide development of goals and results during project design, implementation, and reporting (for example, project log-frames), and individual projects have been assessed against their implementation performance as part of various annual, mid-term, and completion reports, there remains a large gap in the effectiveness of such project-level mechanisms in capturing results at the impact level. Apart from this constraint, there were not mechanisms in place to support the roll-up of impacts should they be identified. In summary, the OPS3 team was presented with a situation where basic questions concerning what to measure, how to measure, and how to scale up results to the program level were not resolvable, and results did not exist in a form conducive to clear aggregation. Taken as a whole, these observations at the outset of OPS3 indicated that results measurement within the GEF, in particular at the impact level and in terms of global environmental benefits, remained a key challenge for the GEF and would pose a challenge for the OPS3 team.

Given the limitations to conducting quantitative analyses, this report provides qualitative evidence, where possible, to point to successes and challenges. It should be recognized, however, that the examples given in this report are intended only to be illustrative and are not necessarily representative of the entire GEF portfolio.

Recognizing Nonquantifiable Results

A subtheme to the challenges surrounding the development of a more practical results measurement framework is how to treat nonquantifiable results of GEF activities. The OPS3 team was asked to assess both quantitative and qualitative results. The team recognized that there is currently no agreed methodology available in many focal areas to support the quantification and aggregation of qualitative or “soft” outcomes, although there have been recent advances made in some areas (for example, Biodiversity) that may assist the GEF in aggregating such outcomes in the future.

The Program Studies, in addition to other studies in progress (for example, the Local Benefits Study), point out certain outcomes that are either inherently resistant to quantification or pose serious difficulties to quantification. Participatory stakeholder consultations under OPS3 identified many project-level outcomes that project participants recognized as nonquantifiable yet significant, and that cannot be easily aggregated.

2.2.2 Sustainability of Results at the Country Level and the GEF as a Catalytic Institution

The key challenge in assessing issues related to sustainability and catalytic effects of the GEF, as required under TORs 2 and 3, was gaining input from key GEF stakeholders at all levels. The OPS3 desk study process provided limited input. Project-level reporting data do not lend themselves to this assessment because it is not sufficiently dynamic in presentation to articulate GEF project performance relating to cross-cutting factors such as sustainability and catalytic effects of GEF activities. Limited data exist for assessing certain aspects of the questions in these TOR areas (for example, intended levels of cofinancing for evaluating financial leveraging of GEF activities), and the 2004 Program Studies were quite useful in providing both specific and synthesized input, but other new data were required from many different perspectives. Given

that the GEF's network structure involves the participation of many key stakeholders, assessing GEF performance on any particular topic generally required a process of triangulation to collect observations from several relevant participants.

Accordingly, the key methodological element of the OPS3 assessment of these issues was the extensive series of stakeholder consultations undertaken over the course of the study. These consultations allowed the OPS3 team to probe the experience and observations of each set of stakeholders to arrive at a fuller picture of the key questions underlying TORs 2 and 3, such as the key elements contributing to sustainability of GEF activities, how effective leveraging occurs on the ground, how the GEF is catalytic, and conversely how the GEF's processes or procedures may limit the GEF's effectiveness in achieving sustainability of its efforts, or in maximizing its capacity to catalyze efforts on the ground. The consultative process assisted the OPS3 team in opening dynamic and iterative lines of inquiry to support its analysis.

2.2.3 GEF Policies, Institutional Structure, and Partnerships, and GEF Implementation Processes

The questions posed in TORs 4 and 5 required OPS3 to evaluate the GEF's institutional effectiveness in a number of different areas. In some cases, OPS3 identified definitional challenges to these questions that could pose a barrier to providing a clear and consistent assessment. Certain terminologies used in the TORs—for example, the use of institutional performance terms such as “satisfactory” and “responsive”—required the development and articulation of a baseline against which to conduct a clear assessment.

Recognizing that assessments of institutional structures, processes, and effectiveness often require (and are very conducive to) the use of an overarching analysis framework, OPS3 developed a specific institutional framework to guide its assessment of TORs 4 and 5. This framework included a specific investigative framework to support the research process and an interpretive framework for assessing the results of the research, conducting analysis, and developing findings and recommendations.

For its **investigative framework**, the OPS3 team developed a Framework for Institutional Expectations Analysis, which provided a set of underlying expectations for performance that the team would expect to find based on the Instrument, previous guidance and assessments, and the particular organizational traits and operating context of the GEF institution. For each area of TORs 4 and 5, the institutional analysis compares these ideal expectations to actual performance of the GEF entities and the overall institution.

The **interpretive framework** developed by the OPS3 team drew conclusions about the form of the GEF institution (a network institution) and draws on a body of emerging literature related to network effectiveness to identify key challenges of a network institution and link those to similar challenges observed with the GEF institution. This interpretive framework assisted the OPS3 team in assessing the results of its research in the context of the GEF institution's particular form and challenges. At the level of findings and recommendations, the interpretive framework assisted OPS3 in communicating how effective the GEF is as a mechanism for supporting, encouraging, planning, managing, funding, monitoring, and evaluating environmental action on a global basis. A more detailed discussion of this interpretive framework is included in section IV of this report, “Effects of the GEF's Institutional Structure and Procedures on Results.”

It should be noted that the scope of TOR 4B (comparison review of international institutions similar to the GEF) was narrowed from its original form, per clarification with the OME during the initial OPS3 work-planning stage. Specifically, it was determined that a key element of the comparison would be the availability of appropriate information on other institutions because of the scope of the overall OPS3 and the limited time and resources available. At the time of finalizing this report, a sufficient body of data useful for clear comparison was still lacking or would have required a more extensive independent study with full access to performance data from other institutions. The limited results of this comparison are provided in annex D.

2.3 Elements of the OPS3 Approach

An overall methodology for conducting OPS3 was developed during the inception phase of the study, and a detailed methodology document is available.³ This report does not present that methodology in full. However, this section provides a brief overview of the principal components of the methodology, including discussion of the OPS3 research agenda, the desk study, the field study, and evidence and findings development.

2.3.1 Research Agenda

Research agendas for each TOR were developed to guide both initial fact finding during the desk study and the stakeholder consultations during the field study component. The research agendas comprised sets of issues, concerns, and specific questions arising from the OPS3 inception planning process.

2.3.2 Desk Study

The OPS3 team carried out a desk study and a field study as its two primary research activities. The desk study included a review of key existing documents developed to coincide with OPS3 (for example, Program Studies and draft version of the Local Benefits Study) in addition to specific project and M&E documents that pertained to specific TOR topics, and to countries and projects to be assessed during the field study component. Key initial information and evidence from the desk study process was assessed by the OPS3 team and incorporated into a master database of initial evidence to support the implementation of the field study component.

2.3.3 Field Study: Participatory Stakeholder Consultations

As outlined in the overall OPS3 methodology, and as requested in the OPS3 TOR, the OPS3 team conducted extensive participatory stakeholder consultations as a major element of its research. Efforts were made to consult all key stakeholders within the GEF family, to bring the full range of perspectives to bear on all key areas of the TOR. As noted, these consultations focused on the research agendas developed to guide OPS3 research activities.

Consultations were conducted with both individuals and groups and included consultations involving more than 600 GEF stakeholders. In collaboration with the OME, the OPS3 team conducted 11 regional stakeholder workshops, where IAs, operational and political focal points, NGOs, government representatives, and others were brought together for consultations on regional and local efforts. Individual consultations occurred on an ongoing basis, during visits to 17 countries and as needed to reach many of the key GEF institutional partners (for example, the GEFSEC, IAs, EAs, OME, STAP, NGO network, Trustee, convention representatives, and private sector representatives). Exhibit 3 summarizes the number and types of stakeholders consulted during the field study component.

2.3.4 Development of Evidence to Support Findings

To develop key findings, evidence was reviewed from the desk and field study components. Evidence from key existing studies (such as the 2004 Program Studies) was considered a significant baseline set of information; however, the OPS3 team sought to corroborate such evidence through its field study component (participatory stakeholder consultations). Assessing the significance and validity of the evidence collected by the OPS3 field study required a separate vetting process. The OPS3 team determined significance and validity by assessing each piece of evidence against specific criteria. Evidence was considered valid and significant if it met two of four criteria:

1. Evidence corroborated the desk study.
2. Evidence was supported within a stakeholder group.
3. Evidence was supported across multiple stakeholder groups.
4. Evidence was supported across multiple field visits.

2.3.5 Organization of Findings

To develop key findings, it was necessary for the OPS3 team to first sort initial findings into *summative* and *formative* findings:

- Summative findings based on evidence concerning observable results were developed and assessed to identify larger patterns and trends in performance, most specifically to determine if results were being produced and the kinds of results produced.
- Formative findings were developed to assess the process of how the GEF achieves its results. These findings centered on how results are achieved under the GEF and whether results were being achieved effectively and efficiently by the GEF institution.

Both sets of findings were drawn on as necessary to develop final key findings and recommendations for each of the areas of the TOR.

Exhibit 3. Participatory Stakeholder Consultation Summary Data

Interviewee classification	Number of interviews
Focal points	71
NGO representatives	143
Project managers	60
GEF Council members	10
GEF Trustee members	4
M&E staff	7
Government officials	113
Academic representatives	8
IA staff:	140
UNDP staff	51
UNEP staff	37
World Bank staff	40
EA staff	12
Convention staff	19
GEFSEC	24
Private sector representatives	15
Others	2
Total interviewees	616

Notes, Section I

1. At its May 1997 meeting, the GEF Council approved the principles in the Council document GEF/C.9/5, *Principles for GEF Financing of Targeted Research*, prepared by the STAP, as the basis for considering GEF funding of goal-oriented research that supports the GEF Operational Strategy.
2. The first GEF-wide review was conducted in 1992, which led to the restructuring of the GEF in 1994.
3. The detailed methodology document is available at <http://www.gefweb.org/MonitoringandEvaluation/MEPublications/MEPOPS/mepops.html>.

SECTION II: FOCAL AREA ANALYSIS

This section discusses results and strategic issues in the six GEF focal areas—Biodiversity, Climate Change, International Waters, Ozone Layer Depletion, Land Degradation, and POPs—and addresses TOR questions 1A, 1B, 1C, 1E, and 4C.

3. Focal Area Portfolio Analysis

In general, the GEF has achieved significant results, particularly at the outcome level, in the focal areas of Biodiversity, Climate Change, International Waters, and Ozone Layer Depletion. From 1991 through March 2005, the GEF approved a total of US\$5.25 billion for full-size projects (FSPs) and medium-size projects (MSPs), as well as enabling activities, to more than 160 countries to achieve global environmental benefits across the six focal areas (Biodiversity, Climate Change, International Waters, Land Degradation, Ozone Layer Depletion, and POPs), as shown in exhibit 4. Of this total, approximately US\$1.7 billion (35 percent) has funded multicountry projects.¹

The Biodiversity and Climate Change focal areas together account for the overwhelming majority of the GEF's project portfolio in terms of funding, representing 70 percent of the overall GEF funds committed from 1991 through March 2005. Although funding for all focal areas has increased over time, the share of total GEF funds attributed to the various focal areas has remained relatively constant across the GEF periods.

The geographic distribution of GEF funds overall, and in each GEF period, is shown in exhibit 5. Overall, since 1991, Africa and Asia have together received about half of global GEF project financing.

While the value of the GEF's portfolio has grown significantly over time, the shares of total funding received by particular regions have remained relatively constant from 1991 through the current (GEF-3) period. Exhibit 6 illustrates that projects' sizes, however, are not necessarily consistent across regions. For instance, Africa has received US\$1,181.8 million, or 23 percent of the global total funds, and 513 projects, or 31 percent, of the number of projects worldwide have been completed or approved in Africa.

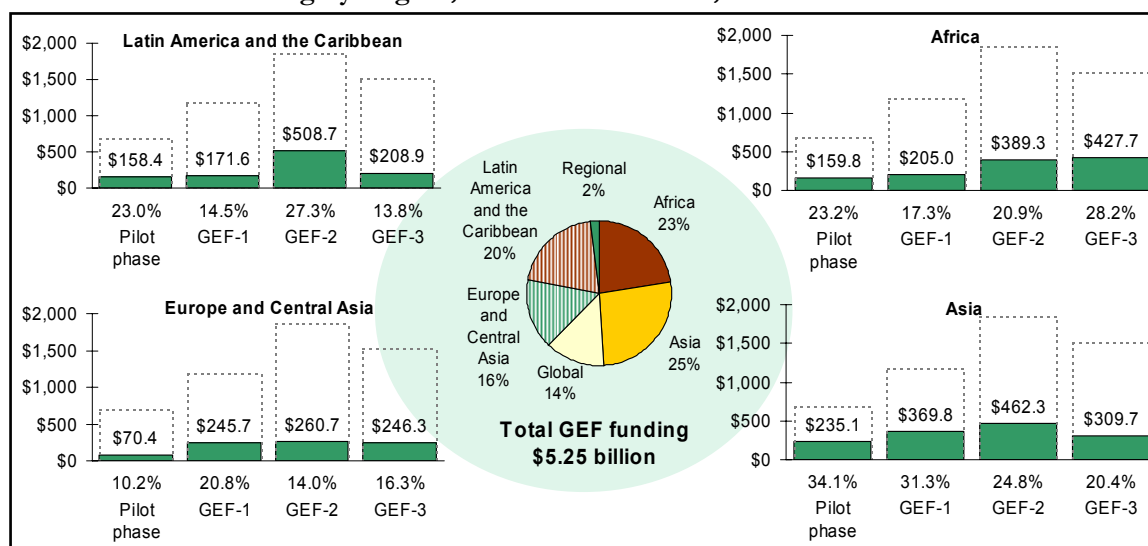
Excluding regional and global projects (which accounted for US\$106.4 million and US\$712.6 million, respectively), the GEF has funded 1,531 projects in 151 countries and regions since 1991, totaling US\$4,431.6 million. As shown in exhibit 7, particular countries have received significant shares of global funding and projects. Indeed, of those 151 countries, the top 20 recipients (13 percent of countries) represent 59 percent of total funding.

OPS3 found that there was not enough information collected within the GEF system at the results level to evaluate whether the geographic allocation is appropriate in terms of results generation or even whether the allocation is appropriate at the focal area level.

Exhibit 4. Total GEF Funding, 1991–March 2005

Focal area	U.S. dollars (millions)	Percent
Biodiversity	\$ 1,906.3	36%
Climate Change	\$ 1,747.4	33%
International Waters	\$ 768.3	15%
Multifocal areas	\$ 457.9	9%
Ozone Layer Depletion	\$ 177.2	3%
POPs	\$ 121.3	2%
Land Degradation	\$ 72.2	1%
Total	\$5,250.5	100%

Source: GEF Project Management Information System, March 2005.

Exhibit 5. GEF Funding by Region, Million U.S. Dollars, 1991–March 2005

Notes: Percentages in the individual region graphs represent the percent of GEF funding allocated to each region during each phase of the GEF. Please note that these percentages do not sum to 100 percent because funding for regional and global projects is not included in the totals for each region. GEF funding is lower in GEF-3 because the period is only two-thirds complete at the time of this analysis.

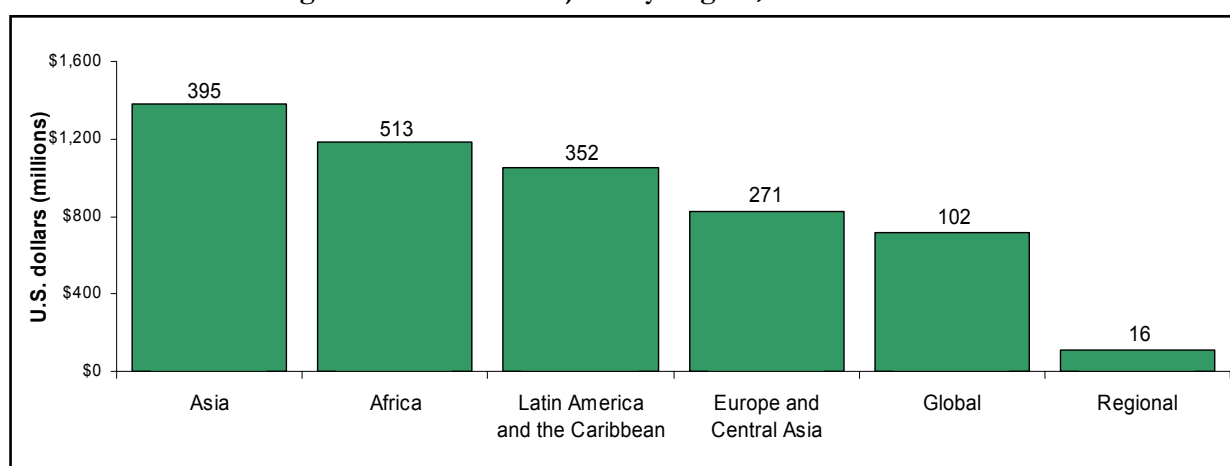
Source: GEF Project Management Information System, accessed March 2005.

3.1 Biodiversity (TORs 1A, 1B, and 1E)

3.1.1 Scientific and Historical Context: Biodiversity

Scientific Context

“Human population growth, unsustainable consumption habits, increasing production of waste and pollutants, urban development, international conflict and continuing inequities in the distribution of wealth and resources” (UNEP 2002) are the primary causes of biodiversity loss. Reports of species extinction indicate that “the current rate of extinction is many times higher than the ‘background’ rate that has persisted over long periods of geological time (one bird or mammal species lost only every 500 to 1,000 years)” (UNEP

Exhibit 6. GEF Funding and Number of Projects by Region, 1991–March 2005

Source: GEF Project Management Information System, accessed March 2005.

2002). A declining number of species and conversion of natural ecosystems may alter and reduce crucial environmental services. Reduced species diversity limits the ability of natural ecosystems to withstand change, both from natural causes and human activities.

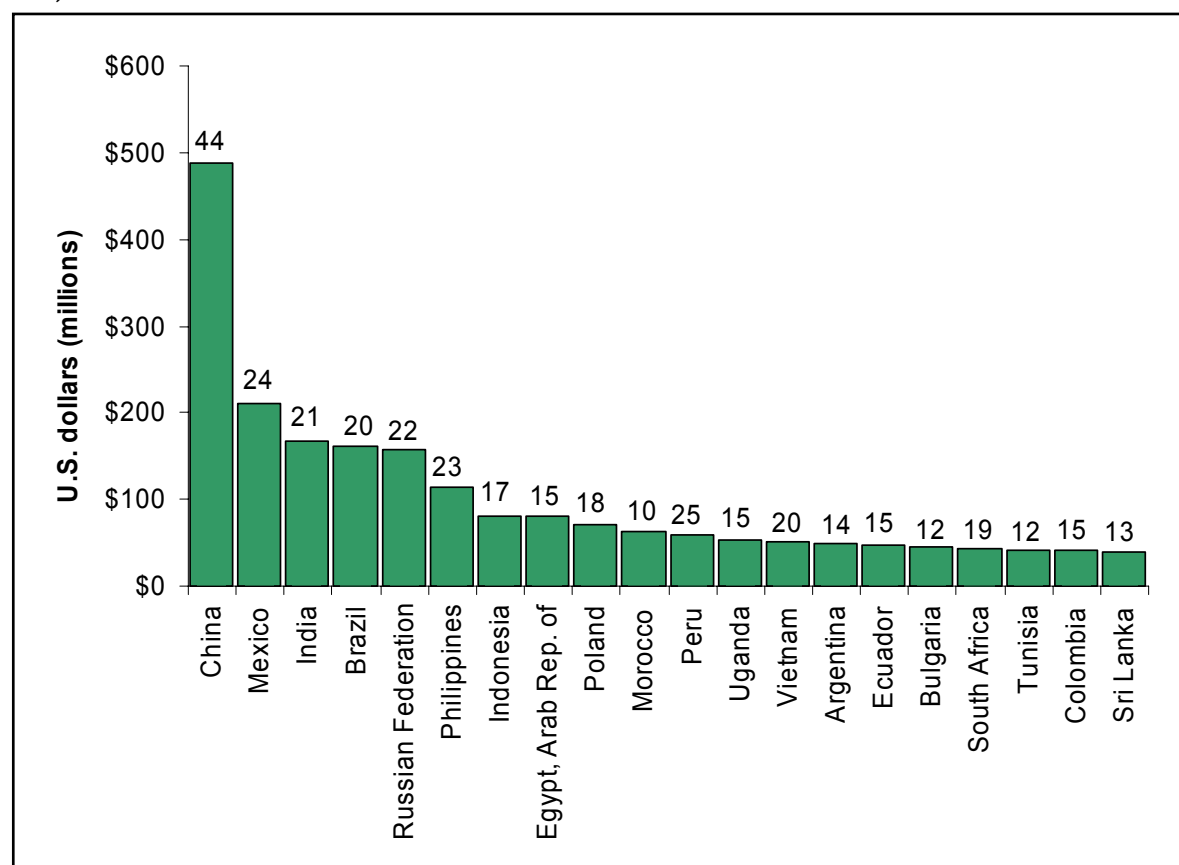
Land use change and conversion poses the most significant threat to biodiversity, especially in tropical regions. Forests, some of the most species-rich ecosystems, have faced the greatest threats due to deforestation, as have coral reefs, wetlands, and other water ecosystems. Other sources of biodiversity loss include climate change, pollution, overharvesting of natural resources, and the introduction of exotic species.

The CBD, which entered into force in 1993, aims to conserve biodiversity, promote sustainable use of biodiversity components, and share the benefits of genetic biodiversity fairly and equitably.

Historical Context

OPS2 found it premature to estimate the precise impact the Biodiversity Program has had on the status of global biodiversity, but the study concluded that the GEF had “laid the foundation for a concerted, science-based effort to stem biodiversity loss.” OPS2 also noted significant achievements in building national, regional, and global partnerships; creating an information base; and developing tools, methodologies, and human and institutional capacities to address the exploitation of biodiversity. In particular, OPS2 found significant advances in demonstrating community-based conservation within protected areas and, to a lesser

Exhibit 7. GEF Funding and Number of Projects by Country, Excluding Global and Regional Projects, 1991–March 2005



Source: GEF Project Management Information System, accessed March 2005.

extent, in production landscapes. OPS2 pointed out, however, that no guidance had been received from the CBD on what would be the optimal distribution of projects in a balanced portfolio.

OPS2 concluded that the consideration of livelihood alternatives in biodiversity projects is crucial for long-term biodiversity conservation at local levels and should be emphasized in all GEF projects. Additionally, OPS2 stated that the GEF could continue to improve the efficiency with which the Biodiversity Program delivers global benefits through increasing its emphasis on incorporating lessons learned in the field into the design and implementation of new projects, together with improving M&E.

3.1.2 Biodiversity Portfolio Analysis

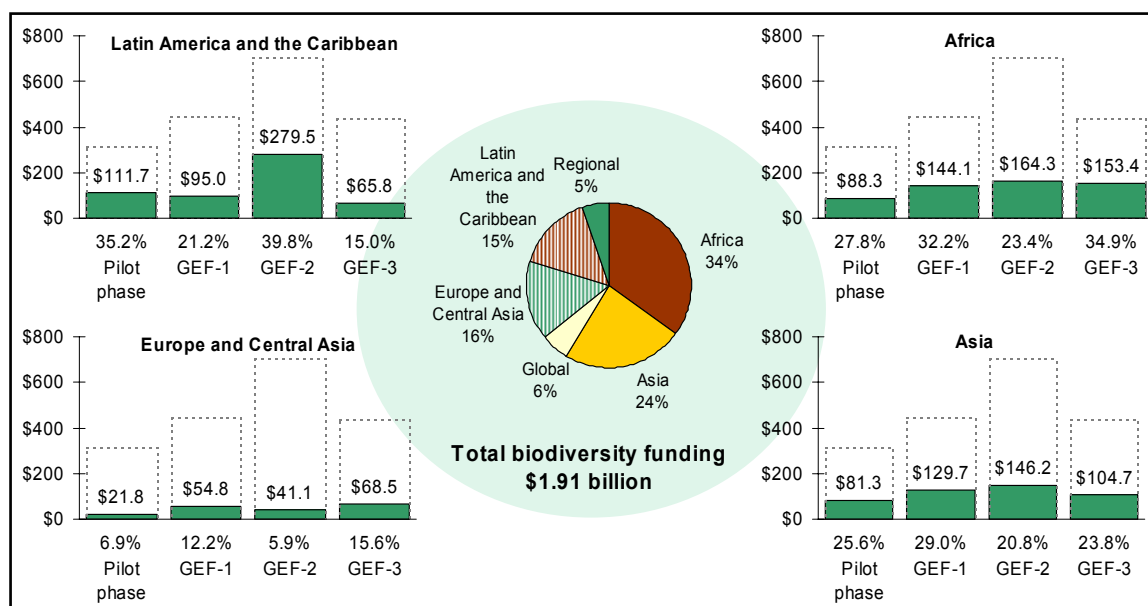
Geographic Distribution

The GEF's biodiversity portfolio funding totaled US\$1.9 billion from 1991 through March 2005. Exhibit 8 shows the geographic distribution of total GEF biodiversity financing (of FSPs, MSPs, and enabling activities) from 1991 through March 2005, and in GEF-1, GEF-2, and GEF-3. GEF's biodiversity portfolio has grown significantly over time, from a total of US\$448 million during GEF-1 to a total of US\$702 million during GEF-2, and it has reached almost US\$440 million as of March 2005, though GEF-3 is only two-thirds complete.

Excluding multicountry projects (which accounted for US\$408 million), the GEF has funded 617 biodiversity projects in 149 countries since 1991, totaling almost US\$1.5 billion. The top 20 recipients of those 149 countries (13 percent of countries) represent 53 percent of global biodiversity funding.

The GEF's BPS2004 notes the correlation between countries with the largest allocation of GEF biodiversity funds and those proclaimed "megadiverse." Of the 15 countries known as "Like-Minded Megadiversity Countries" (those indicated by green bars in exhibit 9), which are estimated to hold 70 percent of the world's

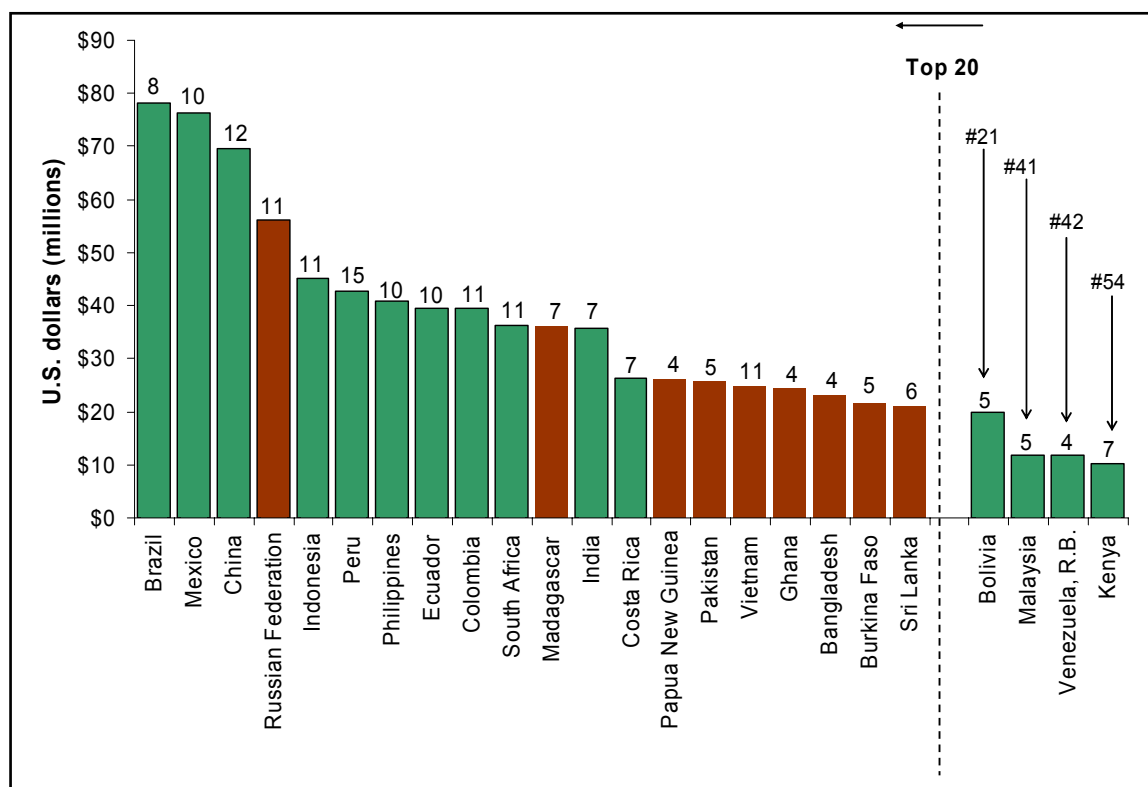
Exhibit 8. Geographic Allocation of Biodiversity GEF Funding, Million U.S. Dollars, 1991–March 2005



Notes: Percentages in the individual region graphs represent the percent of GEF funding allocated to each region during each phase of the GEF. Please note that these percentages do not sum to 100 percent because funding for regional and global projects is not included in the totals for each region. GEF funding is lower in GEF-3 because the period is only two-thirds complete at the time of this analysis.

Source: GEF Project Management Information System, accessed March 2005.

Exhibit 9. Biodiversity Funding and Number of Projects by Country, Excluding Regional and Global, 1991–March 2005



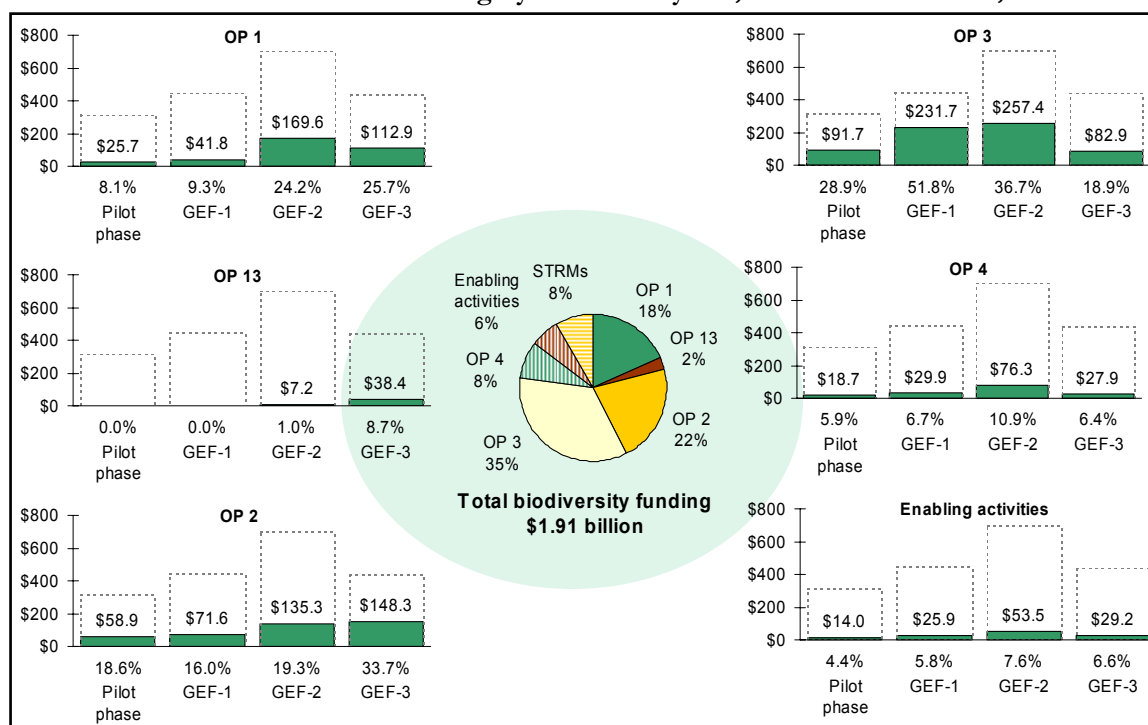
Source: GEF Project Management Information System, accessed March 2005.

biodiversity, 11 are among the top 20 recipients of GEF biodiversity funds. The remaining 4 countries in this group place 21st, 41st, 42nd, and 54th and are also shown in the figure. Though prioritizing these countries has not been a stated policy of the GEF Biodiversity Program, these countries have received a large percentage of GEF resources for biodiversity conservation.

Operational Programs

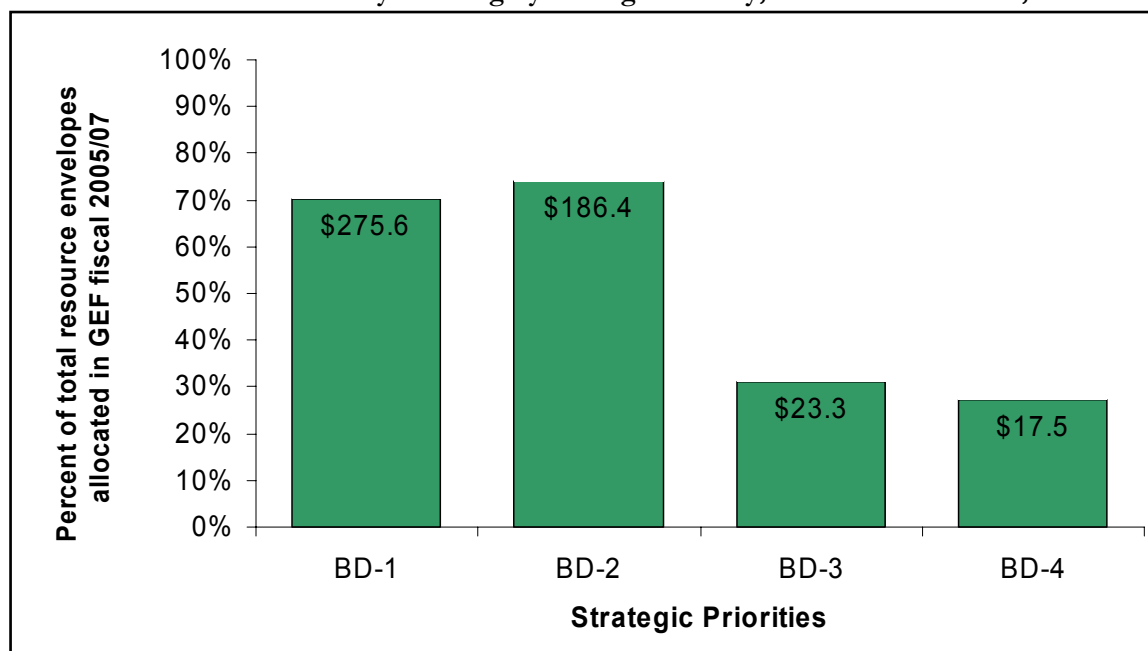
Exhibit 10 shows the allocation of biodiversity funds by OP across the GEF phases. Five OPs support the Biodiversity focal area: Arid and Semi-Arid Zone Ecosystems (OP1); Coastal, Marine, and Freshwater Ecosystems (including wetlands) (OP2); Forest Ecosystems (OP3); Mountain Ecosystems (OP4); and Conservation and Sustainable Use of Biological Diversity Important to Agriculture (OP13). As shown, OP3 and OP2 have accounted for almost 60 percent of all GEF biodiversity funding over the period 1991–March 2005.

Exhibit 11 presents GEF-3 funding in each Biodiversity Program Strategic Priority to date (March 2005). Four Strategic Priorities were approved in GEF-3 under the Biodiversity focal area: Catalyzing Sustainability of Protected Areas (BD-1), Mainstreaming Biodiversity in Production Landscapes and Sectors (BD-2), Capacity Building for Implementation of the Cartagena Protocol on Biosafety (BD-3), and Generation and Dissemination of Best Practices for Addressing Current and Emerging Biodiversity Issues (BD-4). As shown, projects have been approved in Strategic Priorities 1 and 2, equaling about 70 percent of the total resource envelopes allocated in the GEF fiscal 2005/07 Business Plan.

Exhibit 10. Allocation of GEF Funding by Biodiversity OP, Million U.S. Dollars, 1991–March 2005

Notes: Percentages in the individual OP graphs represent the percent of GEF funding allocated to each OP during each phase of the GEF. GEF funding is lower in GEF-3 because the period is only two-thirds complete at the time of this analysis.

Source: GEF Project Management Information System, accessed March 2005.

Exhibit 11. GEF-3 Biodiversity Funding by Strategic Priority, Million U.S. Dollars, 2002–March 2005

Source: GEF Project Management Information System, accessed March 2005.

3.1.3 Contributions of the GEF to Biodiversity Conservation

Current evidence from the “GEF Biodiversity Program Study 2004 ” (BPS2004 [GEF/ME/C.24/Inf.1]) and the OPS3 desk study and stakeholder consultations found that the GEF Biodiversity Program has provided significant outcomes at the project level, but has not been able to aggregate impacts at the global level.

Impacts of the GEF Biodiversity Program

The overarching mission of the CBD is to support activities to halt or reduce global biodiversity loss attributable to human actions. Given the characteristics of biodiversity components, changes to their status may take a decade or more to produce measurable impacts. Because of the type of program interventions that have been undertaken to date (projects averaging 3.5 to 5.5 years), rather broad guidance from the CBD, and the absence of an articulated long-term strategy, OPS3 finds (in corroboration with BPS2004) that it is not possible to determine the GEF’s cumulative impact on the global biodiversity conservation at this time (please see section 3.1.4, which discusses the difficulties associated with measuring impacts in biodiversity). That said, some projects have measured and reported impacts, such as the Ecomarkets project in Costa Rica, a project visited by the OPS3 team (see text box).

In general, as pointed out in BPS2001, OPS2, and BPS2004, the GEF Biodiversity Program still suffers from a lack of tools to measure program-level impacts, as opposed to outcomes. Impacts in the Biodiversity Program would be at the level, for instance, of species saved or populations bolstered, a measure that remains in development and difficult to apply. To this end, BPS2004 recommended that “links between project-level indicators of outcomes and impacts and their relationships to indicators of the program goal (that is, changes in the status of global biodiversity) must be more clearly established and dedicated work on this topic should be undertaken.” Based on its own experience in attempting to identify progress in impacts, OPS3 strongly endorses this recommendation.

Thus, OPS3 believes that the GEF, as likely the world’s largest government-funded mechanism for biodiversity conservation in developing countries, has had a notable impact on slowing or reducing the loss of biodiversity, although the number of threatened species continues to increase.² Indeed, as addressed in detail in the section below, the GEF has been widely credited with helping to achieve the global goal of protecting 10 percent of the world’s land.

To date, the GEF has provided US\$1.9 billion in project support in the Biodiversity focal area. Because there is no evidence to support success in achieving long-term impacts of the program, however, the discussion provided here, like previous discussions in BPS2001, OPS2, and BPS2004, will address GEF biodiversity results at the level of outcomes. The issue of measuring impacts is discussed in more length in section 3.1.4.

Outcomes of the GEF Biodiversity Program

This section discusses the outcomes related to the three objectives of the CBD³ and also touches on various other outcomes, which are explored in depth in BPS2004⁴ and supported by specific findings from the OPS3 field visits and desk study:

Ecomarkets in Costa Rica

In 1999, the World Bank, in collaboration with *Fondo Nacional de Financiamiento Forestal de Costa Rica*, received GEF approval for the US\$8.3 million Ecomarkets project in Costa Rica. This project has had unique and significant success in terms of establishing a financial instrument to support conservation easements. The forestry laws in Costa Rica recognize that the forest provides services (protection of water resources, protection of biodiversity, mitigation of the impact of pollutant emissions, and aesthetic value) to the citizens of Costa Rica for which they should pay. The Ministry of Environment and Energy decided that an average of US\$40 paid for each conserved hectare of forest would cover all four of these services. The citizens of Costa Rica pay for these services through a fee linked to their water use. GEF funds for the Ecomarkets project go to areas of particular importance to the Meso-American Biological Corridor. In these areas, GEF funds pay for US\$10 of the US\$40.

- Conservation of biological diversity in protected areas
- Sustainable use of biological resources
- Access and sharing of benefits arising from the use of genetic resources

Other outcomes, including creating enabling environments, mainstreaming biodiversity, invasive alien species, taxonomy, and agrobiodiversity

Biodiversity Conservation in Protected Areas

Although the GEF was given no direct guidance on protected areas from the CBD until COP7 (February 2004), protected areas have featured prominently in the GEF portfolio. Between fiscal 1991 and fiscal 2003, approximately 75 percent of the projects in the GEF biodiversity portfolio have supported activities related to protected areas. GEF inputs have played an important role in the notable increase in protected area coverage over the past decade. As reported in BPS2004 and also found by OPS3, the GEF has been credited by many with helping to achieve the global goal of 10 percent of the world's land area under protection. Indeed, by the end of fiscal 2004, the GEF had supported investments in 1,426 protected areas, covering nearly 269 million hectares, which constitutes almost 17 percent of the total terrestrial land area protected globally (World Conservation Union [formerly International Union for the Conservation of Nature; IUCN] 2003a).

In addition to its important contribution to this global goal, the GEF Biodiversity Program has successfully met, and in fact far exceeded, the mid-term performance targets set in the "Third Replenishment Agreement" (GEF/R.3/38). At the November 2004 GEF Council meeting, the GEFSEC estimated the projects approved in fiscal 2003 and fiscal 2004 would put 46,080,334 additional hectares of land under improved management for conservation or protection, representing an achievement of 271 percent of the target. For productive landscapes, including land around protected areas that are under productive use but support habitats and ecosystems, it was estimated that fiscal 2003 and fiscal 2004 project approvals would place under conservation 38,968,527 hectares, or 557 percent of the target (GEF/C.24/3).

Scaling Up to the Portfolio Level in Brazil

In 1991, the GEF approved the US\$10.275 million Brazilian National Biodiversity Project (PROBIO), managed by the World Bank. The Brazilian Ministry of the Environment is using PROBIO to gather economic and social data to help the ministry influence other government sector plans. This project was developed in tandem with the Brazilian Biodiversity Fund project (FUNBIO). OPS3 meetings with project stakeholders from PROBIO and FUNBIO found that these projects have been perceived as very successful and transparent. Two of the greatest successes attributed to these projects are the development of a forum to discuss conservation in the context of development and the creation of an institutional structure in the Brazilian government for biodiversity. The project stakeholders considered this process to be long and challenging, but the significant attention paid to awareness raising and outreach was instrumental in the success to date.

Several new projects have been based on PROBIO. One of the most prominent of these is the Amazon Region Protected Areas Program (ARPA), approved in 2000. This project supports the expansion and consolidation of strictly protected areas in the Amazonian region, and it has been credited with using a landscape-level approach for developing protected areas. In Brazil, ARPA is one example of a general scaling up from earlier disparate biodiversity projects. This trend can be further observed through current efforts to conserve biodiversity on the scale of biomes. For example, the Brazilian government chose to focus their SGP entirely on one biome, *cerrado*, which is the equivalent of savanna. All SGP grants go to projects that promote biodiversity conservation in this biome, which extends over a large expanse of central and northern Brazil. There is also currently an FSP in the GEF pipeline called the Brazilian Cerrado Umbrella Program, which aims to provide a framework for formulating and implementing, at the state and federal levels, a coherent, consolidated, integrated program and the financing of investments for the conservation and sustainable use of the *cerrado* biome. Brazil is making positive strides toward scaling up to the portfolio level by aggregating protected area projects. This is significant because it allows for a cohesive approach and will be conducive to aggregation and evaluation at the portfolio level in the future.

Among completed projects, BPS2004 reported that many existing parks and new protected areas have received support from the GEF, and important expansions of protected area networks were identified in Comoros, Brazil, China, Madagascar, and the Philippines. BPS2004 also found examples of scaling up to larger landscape levels, including corridors and transboundary conservation areas, demonstrated in projects such as the Belize Northern Corridors. During field visits, the OPS3 team also identified examples of scaling up that corroborate these findings by BPS2004, including the World Bank projects in Brazil (ARPA) and the Meso-American Corridor.

BPS2004 also found that the GEF Biodiversity Program had resulted in strengthened legal and policy frameworks. Indeed, several projects examined by BPS2004 reported having supported the drafting and proposal of new legislation, including amendments to existing protected area laws, support to new protected area laws, and new management plan regulations. Again, OPS3 found many instances of strengthened legal and policy initiatives, including PROBIO, which created an institutional structure in the Brazilian government for biodiversity.

Stakeholders in several regions also reported that GEF biodiversity projects in their countries had resulted in legal and policy strengthening. For instance, the Russian Biodiversity Conservation Project was seen by stakeholders as crucial in providing the support needed to maintain and amplify the system of protected areas that had been in place before the fall of the Soviet Union. One focus of the project was the Lake Baikal area, which includes parts of three regions (states). That portion of the project led to the drafting of federal and state legislation that protected the area and to the formalization of inter-region relations and relations between the regions and the federal government with regard to managing economic development in an ecologically sensitive way.

BPS2004 also found that about 10 percent of the projects they reviewed had reported support for setting up innovative financing mechanisms to support the recurrent cost of protected areas, including visitor fee systems, tax systems, and trust funds, or support for conducting valuation studies to find new and diverse products. OPS3 found several examples of innovative financing options for protected areas during its field visits that support this finding by BPS2004, including in the Ecomarkets project in Costa Rica, which established a financial instrument to support conservation easements.

In addition, BPS2004 reported that many projects supported successful management and planning initiatives, including the establishment of new management structures and planning units, drafting of management plans, and establishment of collaborative management agreements. For instance, the ongoing Cape Peninsula project in South Africa, managed by the World Bank, which the OPS3 team also visited, is expected to set international standards for best practices in management, planning, and implementation. However, few projects reviewed by BPS2004 reported success in implementing draft management plans as a result of several factors, including overly complex plans, nonprioritized actions within the plans, a lack of capacity or resources for implementation, and strained relations with communities.

Other outcomes identified by BPS2004 in the field of biodiversity conservation in protected areas include the reinforcement of park staffing (although BPS2004 cautioned that the use of external funds to pay for the recurrent cost of staffing often poses major sustainability problems) and local benefits for neighboring communities (as discussed in more depth in the OME's draft Local Benefits Study).

To determine whether these aggregated outcomes across the GEF biodiversity portfolio have delivered greater protected area management, BPS2004 attempted to employ the Management Effectiveness Tracking Tool (METT), which was designed by the World Bank and the World Wildlife Fund. Because BPS2004 was not able to use the METT effectively, it recommended that clearer definition of both the diagnostic and analytical capabilities of the METT was necessary to enable it to better fulfill its function for the GEF Biodiversity Program.

With respect to conservation impacts as a result of better management of protected areas, BPS2004 found discouraging results. More than half of the completed protected area projects reviewed by BPS2004 reported few or no positive biodiversity impacts, and other projects reported possibly negative impacts. For example, in the Kerinci Sablat Integrated Conservation and Development project in Indonesia, the greatest loss of forest cover during the project occurred in the two districts that received the largest proportion of Village Conservation Grants; in the Tana River National Primate Reserve Conservation Project in Kenya, the habitat critical for the survival of the primates inside and outside the reserve declined by at least 5 percent during the project period, and its quality also decreased. BPS2004 suggested that this may be a result of shortcomings in monitoring at the project level rather than the true impact of GEF-supported biodiversity projects, but it firmly concluded that the linkage between outcomes and impacts in the GEF Biodiversity Program have yet to be established. BPS2004 recommended that “despite GEF’s very significant financial and technical contribution towards expanding the world’s PAs and protected area networks and enhancing their management, the GEF has yet to conduct a study that looks at the aggregate contribution of local, project, or site-level outcomes and impacts in protected areas to the GEF’s overall contribution to higher level, global biodiversity impacts.” Noting that the OPS3 team also found it impossible to aggregate to the level of impacts, OPS3 strongly endorses this recommendation and discusses the issue of measuring results in more detail in section 3.1.4.

Sustainable Use of Biodiversity Resources

Sustainable use of biological resources is one of the three objectives of the CBD, and it is essential to achieve the broader goals of sustainable development. Regarding sustainable use, the “GEF Operational Strategy” (GEF 1996) explains that it “is not possible to conserve all species in a region by using conservation areas alone. Biodiversity conservation and sustainable use must also be achieved outside the designated conservation areas, including protected areas, and must be integrated into the management of the natural and modified surrounding areas.” Approximately one-third of the projects reviewed in BPS2004 could be considered to have the sustainable use of a particular biodiversity component as their primary objective.

One outcome of biodiversity projects is the generation of alternative or additional income for local populations. In support of the BPS2004 finding that these project activities can produce alternative income, the OPS3 team found examples of activities that were generating alternative income during its field visits. For instance, a project in Burkina Faso has provided alternative means of income for community members through ranching operations. However, although many GEF-supported activities may be linked to creating alternative incomes for local communities, BPS2004 found that several projects reported activities that were not producing enough income for the population, and thus demand for the targeted resource in fact increased. As demonstrated in a case study for the draft Local Benefits Study, income-generating activities are

Optimizing Biological Diversity in Burkina Faso

As the OPS3 team found during its meeting with project managers in Burkina Faso, the wildlife ranching project has achieved many successes. Integration of local communities has been quite successful; all employees of the park are reported by park management to live in areas adjacent to the park. The ranch itself has provided alternative means of subsistence for many community members; this has had the positive effect of reducing traditional unsustainable burning and cropping practices that would likely otherwise continue to occur. Through wildlife inventories that have been taken regularly since the project’s implementation, it is evident that the positive impacts on biodiversity resulting from the project are substantial. Several wildlife species have returned from low population levels in recent years; this success and the management practices instituted contribute to the park’s ability to charge game hunters who visit the ranch for sport, resulting in significant cash flow.

likely to fail if proper attention is not paid to market planning, financing, and other aspects of income generation (see chapter 5 for a more thorough discussion of the link between global and local benefits).

Biodiversity projects have also resulted in the preparation and implementation of natural resource management plans. BPS2004 found that projects that have developed such management plans with GEF support have succeeded in involving a broad range of stakeholders at many levels, from government institutions to local communities. Similarly, the OPS3 team encountered a number of projects that have assisted in or been responsible for

drafting a management plan for a particular resource or area. For instance, as BPS2004 pointed out, a project within the Jozani Chwaka Bay National Park in Tanzania designated use and nonuse zones through stakeholder consultation and the development of community management plans; the OPS3 team also visited this project and confirmed these outcomes.

Given that COP7 invited the GEF to assist in the implementation of the Addis Ababa Principles, which underpin the practice of sustainable use,⁵ BPS2004 recommended that this would provide an opportunity to make a linkage between the operationalization of these principles and the Malawi Principles, which underlie the ecosystem approach.⁶ To improve the chance of success, BPS2004 recommended that the operationalization of these principles should encourage partnerships between GEF and other actors, particularly the private sector, at all levels—from small-scale producers to intensified industrial production systems. OPS3 endorses this recommendation as an important means to increasing the outcomes in the field of sustainable use.

Access and Benefit Sharing of Genetic Resources between Countries

As BPS2004 noted, the GEF has funded a number of enabling activities for countries to assess their needs and capacities in support of access and benefit sharing (ABS), and some GEF projects have addressed ABS issues within project design. The Second CBD Review (UNEP/CBD/COP/6/INF/4) noted that the GEF had indicated a commitment to supporting specific “benefit sharing initiatives,” such as policy, regulatory, and institutional frameworks for mechanisms that will facilitate access to genetic resources and benefit sharing.

Reviews conducted for BPS2004, however, found that few projects reported on this topic, achievements or otherwise. Indeed, this objective has received the least attention of the three CBD objectives among GEF-funded activities. During its field study, the OPS3 team also found that the GEF has not adequately addressed this objective. To that end, in February 2004, the COP7, requested the GEF “to provide financial resources for country-driven projects based on national priorities that assist with the implementation of the Action Plan in support of the implementation of the Bonn Guidelines on Access to Genetic Resources and Fair and Equitable Sharing of Benefits Arising Out of their Utilization,” and “to support capacity-building regarding the transfer of technologies which enables providers to fully appreciate and actively participate in benefit-sharing arrangements at the stage of granting access permits.” (“Report of the Seventh Meeting of the Conference of the Parties to the Convention on Biological Diversity.” UNEP/CBD/COP/7/21/PART2. April 13, 2004.)

BPS2004 found that part of the reason that more significant outcomes have not been achieved in this area is the current lack of clarity on ABS in the context of the CBD. To this end, BPS2004 concluded that once the COP negotiates and puts in place an ABS regime, the GEF Biodiversity Program will be better situated to appropriately direct its resources; BPS2004 further recommended that clarity is needed among all parties involved in communications involving ABS.

Other Outcomes of the GEF Biodiversity Program

Enabling Environment

BPS2004 found that the majority of GEF-financed projects included components that seek to improve the enabling environment for conservation and sustainable use of biodiversity. The enabling environment includes contextual factors that are recognized as playing major roles in progress toward biodiversity loss, including those identified by the 2003 GEFM&E study, “Measuring Results of the GEF Biodiversity Program”—policy, information, capacity, and finance. Improving the enabling environment has also been undertaken at the international level in some GEF projects, as BPS2004 pointed out, through such activities as international policy, development, information exchange, and research.

One way that GEF biodiversity projects create an enabling environment is through creating and implementing national priorities or legislative action. BPS2004 found GEF projects to have documented a wide range of achievements in influencing policy and legislation; indeed, more than 50 percent of the projects reviewed in the study reported achievements in this area, including helping countries develop stronger protected area systems, securing the legal status of a particular protected area, and working on legislation related to land use and natural resource management. Approximately 15 percent of projects examined by BPS2004 reported achievements in the area of implementing or enforcing national policy or legislation, such as the enforcement of protected area laws. Despite these positive outcomes, BPS2004 also reported some legislative setbacks in the form of unexpected delays in legislative process and unclear or inappropriate government policies that remain in place.

A second tool for forming an enabling environment is generating public awareness and improving environmental education. Acknowledging that little information about the achievement of measurable outcomes is available in this area, BPS2004 found that about two-thirds of the projects reviewed by the study reported improved public awareness and environmental education, including conducting environmental education programs at local, subnational, and national levels. The OPS3 team also found evidence of increased public awareness during its field visits; for instance, increased awareness of biodiversity was an outcome of the Sabana-Camaguey Ecosystem project in Cuba. In addition to the local and national levels, there has been some speculation regarding whether the GEF has raised the overall level of global awareness of biodiversity conservation. BPS2004 reported that some practitioners conjectured that this is the case, but other observers opined that the international profile of biodiversity conservation has waned recently.

Partnerships are also an important outcome of biodiversity projects that broaden the catalytic effect of the GEF. More than 50 percent of projects reviewed by BPS2004 reported achievements in creating partnerships, including those among local and national governments, local and national NGOs, academia, the private sector, donors, other general stakeholders, and other projects and international initiatives. OPS3 found that such partnerships can also work to mainstream biodiversity at the local and national levels, as well as improve coordination within countries. For instance, in addition to keeping the federal biological reserves intact, the previously discussed Russian Biodiversity Conservation Project was able to add significant regional and local reserves by developing strong regional partnerships for the planning of reserves.

Outcomes are also achieved in knowledge generation, including at the level of environmental science and practice and knowledge sharing. Approximately half of the projects examined by BPS2004 reported achievements in both areas. The OPS3 team found evidence of knowledge generation during its field visits, in particular in the Sabana-Camaguey Ecosystem project in Cuba. About 40 percent of projects assessed by BPS2004 also reported achievements in tool and technology development, including working with geographic information systems technology, working on or with electronic databases, and developing maps or conducting mapping activities. OPS3 field findings indicated that many of these tools are being developed, but they are not shared among projects and are not reused, and their value is limited. This issue of incorporating lessons learned in project design and implementation is discussed at length in section 7.2.

Mainstreaming Biodiversity

Article 6b of the CBD includes as an objective to “integrate, as far as possible and as appropriate, the conservation and sustainable use of biological diversity into relevant sectoral or cross-sectoral plans, programmes and policies.” (Article 6b of “Convention on Biological Diversity.” 15 June 1992. Available at: <http://www.biodiv.org/convention/articles.asp?lg=0&a=cbd-06>) The GEF integrated this objective into its own Strategic Priorities, approved by the Council in May 2003; indeed, the Strategic Priority “mainstreaming biodiversity in production landscapes and sectors” was provisionally allocated US\$252 million over fiscal2003–06, which constitutes more than 30 percent of the total allocation to the GEF Biodiversity Program. A Strategic Objective on mainstreaming is also proposed for GEF-4. To track progress against the outcome-level targets set for this Strategic Priority, the GEFSEC and OME have been engaged in developing a tracking tool for projects in the production sector.

BPS2004 found that mainstreaming at the local, subnational, and national levels was accomplished in several ways, including through linking government agencies with local-level actors and providing technical assistance to governments during their planning and management activities. According to BPS2004, when mainstreaming is accomplished, it can result in bringing government agencies together, creating synergies, and empowering local communities to conserve and protect biological resources. During field visits, the OPS3 team found instances of countries working hard to mainstream biodiversity. For example, OPS3 found that, through catalysis, the GEF has had a profound impact on biodiversity conservation and environmental management in South Africa, which is now actively mainstreaming biodiversity. The GEF established the bioregional approach in South Africa, and as a result this approach has been incorporated into the country's official conservation policy. Furthermore, the GEF supported the establishment of the South Africa Biodiversity Network, which has significantly affected institutional capacity to mainstream biodiversity in the 10 countries in which it operates.

That said, however, the GEF Biodiversity Program has not been entirely successful in mainstreaming biodiversity. At the national level, BPS2004 identified the most common obstacle as a lack of true commitment by the government to incorporating biodiversity considerations. OPS3 also found challenges in mainstreaming; stakeholders reported to the OPS3 team that the national reports to the CBD are somewhat isolated in some countries and thus are neither mainstreamed nor influential. Part of this difficulty in mainstreaming may be a result of inadequate time frames; BPS2004 generally concluded that mainstreaming takes significant time, usually far longer than the typical length of a GEF project.

To reduce operational complications in implementing the mainstreaming Strategic Priority, the BPS2004 recommended that "guidelines and clear definitions should be developed to clarify exactly what type of activities, processes, and interventions are covered under the mainstreaming concept in the GEF context." OPS3 found stakeholders that were discussing mainstreaming in many different ways and contexts and agrees with this recommendation.

General mainstreaming of the GEF is discussed in section 5.1.

Other Priority Areas

BPS2004 also identified the following outcomes in the CBD priority areas of invasive alien species, taxonomy, and agrobiodiversity:

- *Invasive alien species:* Only 6 percent of projects reviewed in BPS2004 had specific objectives directly related to the control of invasive alien species, although BPS2004 indicated that this percentage was likely an

Increased Public Awareness and Knowledge Generation from the Sabana-Camaguey Ecosystem Project

In 1998, the UNDP received GEF approval for the US\$3.889 million Priority Actions to Consolidate Biodiversity Protection in the Sabana-Camaguey Ecosystem project in Cuba. In meetings with stakeholders of the project during its field visit to Cuba, the OPS3 team found that the scientific benefits achieved from the first phase of the project were of particular importance to Cuba. Project proponents reported that the best local scientists have been working on this project in both phase 1 and phase 2, and the resulting local capacity and understanding have had a significant impact on tourism planning by the government. The stakeholders cited the importance of having the necessary knowledge to substantiate their documentation that went to the government decision makers on these issues. Indeed, one of the key successes of this project has been the education, training, and increased awareness of many decision makers, project managers, developers, and local people.

underestimate of the amount of invasive alien species work now in the portfolio. Several good examples of projects that target alien species are the global Building Capacity and Raising Awareness in Invasive Alien Species Prevention and Management project, the Biodiversity Restoration project in Mauritius, and the Management of Avian Ecosystems project in the Seychelles.

- *Taxonomy:* Ten percent of projects reviewed in BPS2004 had objectives directly related to taxonomy. BPS2004 noted, however, that the projects reviewed did not include enabling

activities, which could support taxonomic research or capacity building through National Biodiversity Strategies and Action Plans (NBSAPs) and National Capacity Needs Assessments. A number of taxonomy projects in the cohort involved the inventory and assessment of agrobiodiversity resources, and others focused on the maintenance of a biodiversity collection and the creation of databases, networks, and other information sharing strategies. For example, according to the World Bank's 2004 PIR, the Costa Rican Biodiversity Resources Development project has achieved substantial collaboration by foreign taxonomists and has identified more than 250,000 specimens meeting all international taxonomic standards. (World Bank. 2004. "Project Status Report: Costa Rica. GEF CR Biodiversity (Project ID:P039876 -- Loan/Credit No.:28324.)

- *Agrobiodiversity*: GEF's OP13 specifically supports the conservation and sustainable use of biodiversity important to agriculture. Thirteen percent of projects assessed in BPS2004 could be considered as addressing issues related to agrobiodiversity, for example, involving agricultural landscapes, farmers, and traditional agricultural practices. BPS2004 also found that although a few projects potentially dealt with pasturelands, no projects specifically targeted livestock and pastoralists. OPS3 finds that as of March 2005, 11 projects have been approved in OP13 for US\$45.6 million. For example, OPS3 found that the regional MSP Community-Based Management of On-Farm Plant Genetic Resources in Arid and Semi-Arid Areas of Sub-Saharan Africa has achieved innovative results in indigenous crop conservation, increased the knowledge and understanding among farmers that indigenous crops are valuable, helped to determine what types of policies are required at all levels to conserve indigenous crops, and brought about replication beyond the scope of the project.
- *SGP*: As BPS2004 noted, the "Third Independent Evaluation of the GEF Small Grants Programme" (Wells, Hosain, Ogunseye, and Tresierra 2003). found that the most significant impact of the SGP will not be its direct effect on biodiversity conservation, but instead the indirect impact of capacity building, policy reform, increased awareness, and the empowerment of local communities to take conservation action. Wells and others (2003) found that "the overall long-term global benefits from SGP activities will be considerable, and are likely to exceed the global benefits generated by most larger projects with financial resources comparable to or even exceeding the entire SGP budget." Stakeholders consistently repeated to the OPS3 team that benefits from the SGP greatly outweighed the costs, and thus OPS3 agrees with BPS2004's recommendation that additional resources be allocated to the SGP. For a more in-depth discussion of the SGP, please see section 8.7.

3.1.4 Challenges and Strategic Tradeoffs

This section discusses the six strategic issues identified by BPS2004, OPS3, or both: (1) strategic direction and programming, (2) strategic resource allocation, (3) measuring results, (4) expectations management, and (5) tradeoffs.

Strategic Direction and Programming

Based on the Strategic Priorities, the strategic emphasis of the GEF-3 biodiversity portfolio has been directed toward conserving and sustainably using biodiversity within protected areas and mainstreaming biodiversity in production landscapes and sectors. OPS3 concurs with the statement made by the Management Response to BPS2004 that these two strategic priorities "reflect current thinking in the conservation community of the imperative to both secure the global protected area estate while integrating biodiversity considerations into those sectors that provide an opportunity for biodiversity conservation and sustainable use to develop and persist within more far-reaching socio-economic processes." (GEF/ME/C.24/7.)

OPS3 finds that the development of the Strategic Priorities for GEF-3 has brought increased strategic direction to the GEF Biodiversity Program during GEF-3. Moreover, in part as a result of recommendations proposed by BPS2004, the strategic objectives identified in the GEF-4 Programming Document

(GEF/R.4/7) constitute an improvement of the Strategic Priorities and impact and coverage indicators and targets, as well as the tools to measure them, which should improve management of the portfolio. These advances will provide future program evaluators with better tools to measure results.

Nevertheless, OPS3 agrees with BPS2004 that the Biodiversity Program still needs to refine, clarify, and strengthen the overall strategy and vision of the program, above and beyond the four Strategic Priorities. This is also related to the expectations management discussed below. Furthermore, OPS3 finds that the development of Strategic Priorities has served as additive guidance and has resulted in a broadening, rather than refining, of the overall strategic focus. Consequently, there is confusion among stakeholders about the role of Operational Programs and Strategic Priorities. In addition, projects that address a wide range of biodiversity outcomes can be funded through the GEF as a result of the broadening of strategic focus.

Strategic Resource Allocation

As likely the world's largest government-funded mechanism for biodiversity conservation for developing countries, the GEF is a significant source of funding for the achievement of the objectives of the CBD. BPS2004 noted that "as more traditional bilateral donors move away from funding biodiversity conservation and the global economy continues to grow, increasing negative impacts on biodiversity, the demand for GEF funding will no doubt increase as well." OPS3 concurs with the BPS2004 conclusion that as a result of these pressures, the GEF's Biodiversity Program "must become far more strategic and deliberate in using its significant, albeit limited, funds."

In the event that a resource allocation framework (RAF) is approved by the Council, it will likely have significant ramifications on the GEF Biodiversity Program. Decisions on the allocation of resources to specific countries will need to be cognizant of important nuances of the development of biodiversity priorities. For example, as BPS2004 points out, "conserving the giant panda in China...is not the point [because] conserving endemic and rare species alone will not stem the rates of biodiversity loss." Instead, "all countries actively contributing to the objectives of the CBD are assisting in the conservation of biodiversity, regardless of whether they are home to species and ecosystems that have been identified as being of 'global importance'."

Though prioritizing countries self-proclaimed as "megadiverse" has not been a stated policy of the GEF Biodiversity Program, these countries have received a large percentage of GEF resources for biodiversity conservation. Thus far, there has been a strong correlation between "megadiverse" countries and the largest allocations of GEF biodiversity funds. Of the 15 countries known as "Like-Minded Megadiversity Countries" (those shown in green bars and bold type in exhibit 9), estimated to hold 70 percent of the world's biodiversity, an OPS3 review of the biodiversity portfolio showed 11 to be among the top 20 recipients of GEF biodiversity funds.

GEF funding also has a particular value in countries that are not priorities for bilateral funding from developed countries. Numerous representatives from countries that are not considered to be biodiversity "hotspots" reported to OPS3 that the GEF funding they received was largely responsible for enabling their country to focus on the conservation of biodiversity resources. Examples include least developed countries (LDCs) in Africa such as Comoros, Djibouti, and Sudan, as well as the former Soviet Union and Eastern European countries.

All of these fine distinctions will need to be considered when determining strategies to allocate resources among countries.

Measuring Results

As pointed out by BPS2004, in the last five years, GEF Council meetings and both BPS2001 and OPS2 highlighted and called for work on the delivery and reporting of impacts. The new Strategic Priorities developed for GEF-3 and “Measuring Results of the GEF Biodiversity Program” (GEFM&E 2003b) have led to progress at the project and program outcome level. The biodiversity Strategic Priorities identify a tactical emphasis for the biodiversity portfolio and provide tools to measure its impact.

BPS2004 found that “though more work is needed on the socio-economic side, the new generation of recently approved projects demonstrates progress in ensuring that important data are captured at the project level” and recommended that “the establishment of baselines should be considered mandatory...particularly to ensure that both biodiversity and socioeconomic impact indicators are developed, measured, and analyzed at all levels, from outputs to outcomes to impacts.” However, BPS2004 found that at a higher level, “there are still no clear guidelines, standardized procedures, or measurable program-level targets or indicators to assess the impacts of the GEF portfolio on biodiversity status.” Indeed, efforts by OPS3 to identify the global impact of the GEF on biodiversity loss were not fruitful. At the outcome level, the application of portfolio-level tracking tools developed to monitor and measure progress within each Strategic Priority for GEF-3 better enables the aggregation of indicators from the project level to the portfolio level.

Expectations Management

BPS2004 found that since the inception of the GEF, there has not been a clear articulation of the “expectations of the GEF or the level at which the GEF’s performance—overall and at the three focal areas—would be assessed.” Like BPS2004, OPS3 found the expectations of the GEF Council, the Parties, and other stakeholders regarding the potential accomplishments of the GEF Biodiversity Program to be unclear. BPS2004 concluded that the GEF is, and can only be, one of many contributors to the achievement of global environmental benefits, in biodiversity as well as the other focal areas. This reality seems to have been understated in the GEF vision. BPS2004 found that “for these reasons, the GEF’s, and by association, its Biodiversity Program’s ability to demonstrate achievements may have been undermined by the tacit belief that the GEF would ‘do it all’.”

Tradeoffs in Project Outcomes

An implicit expectation of the GEF that is directly related to its operating environment is that biodiversity (and other focal area) projects should result in win-win situations; OPS3 found this to be the expectation in stakeholder consultations at all levels. However, biodiversity protection and restoration compete with other factors that public and private sector organizations consider when planning and implementing development activities, including market pressures and local poverty. As a result, as noted in the OP12 Program Study⁷, there are tradeoffs to biodiversity conservation that impede the GEF’s capacity to achieve win-win situations. That said, some projects have successfully managed these tradeoffs to achieve win-win situations; for instance, the OPS3 field study found that the Costa Rican Ecomarkets project has achieved great success in this area (see related text box), and the OP12 Program Study highlighted a Colombia, Costa Rica, and Nicaragua project that carefully calibrated payments for increases in environmental services given to ranchers who improved land use.

3.1.5 Recommendations

In addition to the priority recommendations and recommendations on the outcomes of the GEF Biodiversity Program from BPS2004 that OPS3 has endorsed in the sections above, OPS3 also proposes that:

- *The geographical distribution of resources in the Biodiversity focal area should be considered in ongoing discussions about the implications of a potential RAF.*

In the Biodiversity focal area, there is a need to strike a balance between even distribution of resources from the geographic or regional standpoint, as well as from the perspective of the likelihood of generating the greatest global environmental benefits. Although geographic homogeneity is not essential, targeting a few hotspots would not be in keeping with the GEF's objective for inclusiveness and balance. Of course, generating global environmental benefits is essential and must be linked to the project selection and prioritization process. National priorities and the implications that aspects of these priorities (for example, poverty alleviation, alternative livelihoods) place on the generation of benefits must also be considered. In light of these issues, OPS3 recommends that these tradeoffs be considered in ongoing discussions about the implications of a potential RAF (please also see recommendation regarding strategic planning under a RAF scenario in section 5.2.4).

3.2 Climate Change (TORs 1A, 1B, and 1E)

3.2.1 Scientific and Historical Context: Climate Change

Scientific Context

Evidence presented by the Intergovernmental Panel on Climate Change (IPCC) in 2001 indicates that “most of the warming observed over the last 50 years is attributable to human activities.” The evidence also links a 0.6 (± 0.2) °C rise in temperature to a 10–20 centimeter rise in sea level over the past 100 years. Carbon dioxide (CO₂) is the major contributor to the greenhouse effect, although increasing concentrations of methane, nitrous oxide, halocarbons, and halons are also factors.

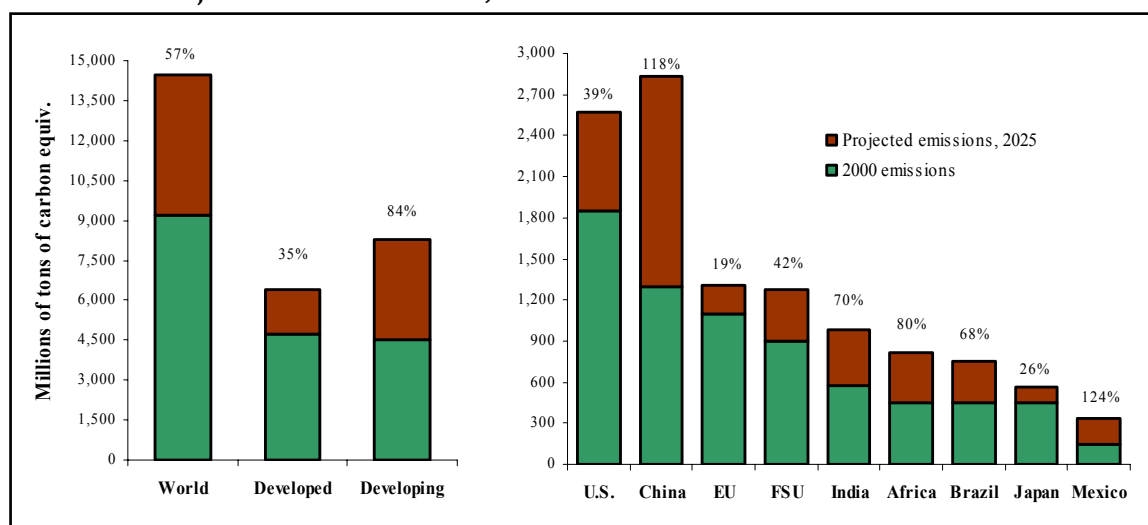
Although industrialized countries have historically accounted for the majority of greenhouse gas (GHG) emissions, emissions from developing countries are expected to rise continuously. Developing countries in Africa are predicted to be among the most vulnerable to the effects of climate change, which will vary regionally, and have already altered various physical and biological systems. Growing seasons in regions at middle to high latitudes have lengthened, and latitudinal and altitudinal shifts of plant and animal ranges have occurred. Glaciers, atolls, polar and alpine ecosystems, prairie wetlands, and native grasslands are recognized as the natural systems most at risk. Other significant impacts of climate change include increasing incidents of coral reef bleaching. Forest distribution and composition are likely to change, which may in turn negatively influence climate change. Climate change may more directly affect humans through changes in freshwater availability and increased spread of vector-borne diseases.

The UNFCCC, adopted in 1992, requested that industrialized countries limit GHG emissions to 1990 levels by 2000. The most recent measure, the Kyoto Protocol of the UNFCCC, which was adopted in 1997 and entered into force in early 2005, sets definite reduction targets for most industrialized countries. A special feature of the Kyoto Protocol is mechanisms that permit industrialized countries to invest in measures that restrict GHG emissions in developing countries in exchange for emission credits at home.

Current science suggests that responding to global warming trends will require both *mitigation* to slow the speed of change through limiting GHG emissions reductions and *adaptation* to limit adverse impacts by countries becoming more resistant to climate change. At present, slightly less than half of all GHG emissions come from developing countries, but they are anticipated to overtake countries belonging to the Organisation for Economic Co-operation and Development (OECD) well before 2025 (see exhibit 12).

Historical Context

OPS2 found that “project impacts from the Climate Change focal area are slow in emerging, because only a small part of the portfolio (28 projects) has been completed so far.” Nonetheless, although OPS2 did not quantify the impact of projects in terms of GHG emissions avoided, that study did point out some indirect

Exhibit 12. Projected GHG Emissions, Metric Tons

Notes: EU European Union; FSU Former Soviet Union.

Source: World Resources Institute (2004).

effects of GEF projects in four areas: technology development and demonstration, market-oriented approaches, capacity-building and institutional development impacts, and policy development. OPS2 recommended that generally the GEF would benefit from a more focused program in the Climate Change focal area and “concentrating its efforts where there is a strong continuing commitment to innovation and thus likely to have the greatest impact.”

OPS2 noted that two important elements of this program were the creation of enabling environments for market transformation and market transformation itself, as well as other market-oriented interventions. Additionally, OPS2 noted that the “existing GEF system is slow to recognize success, and thus slow to replicate and integrate positive lessons in planning for future projects.” Last, OPS2 recommended that the GEF seek higher leverage opportunities in order to make a significant impact on GHG emissions on a global scale.

3.2.2 Climate Change Portfolio Analysis

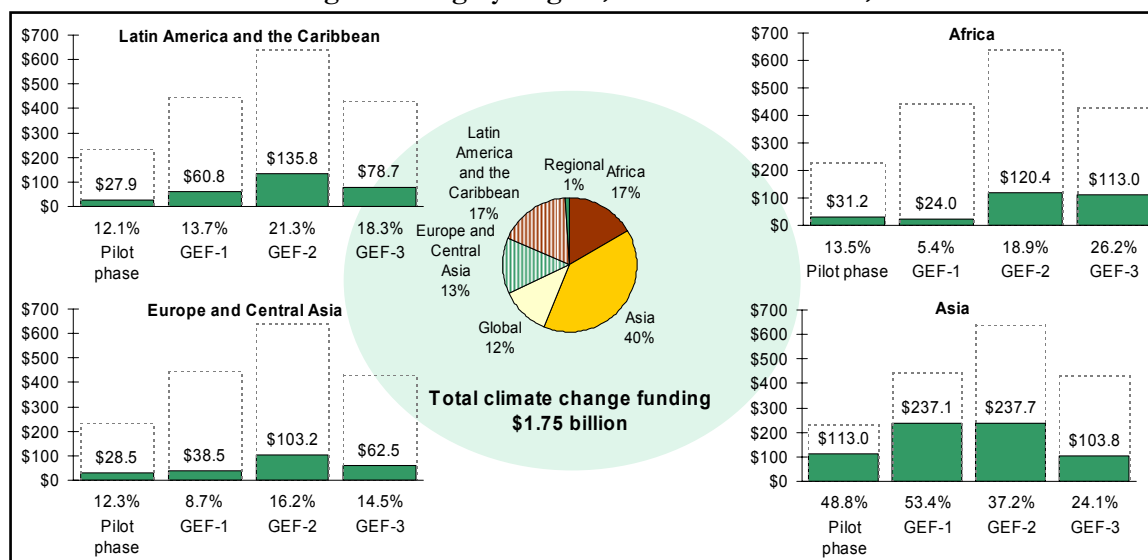
Geographic Distribution

The GEF’s climate change portfolio funding totals almost US\$1.75 billion over the period from 1991 through March 2005. Exhibit 13 shows the geographic distribution of total GEF climate change financing during this period. GEF’s climate change portfolio has grown significantly over time, from a global total of US\$443.7 million during GEF-1 (covering fiscal 1995 through fiscal 1998) to US\$638.5 million during GEF-2 (covering fiscal 1999 through fiscal 2002). With this overall growth (about 44 percent from GEF-1 to GEF-2), the geographic distribution of funding has changed somewhat over time. Asia, for example, constituted a majority (54 percent) of the climate change portfolio during GEF-1 but fell to 37 percent during GEF-2. The project funding supporting climate change activities in Asia remained constant (having received US\$237 million in both periods) over these periods, while the Africa, Latin America and the Caribbean, and Eastern and Central Europe regions all received increased funds. GEF-3 is shown to date in exhibit 13 but continues through 2006.

As shown in exhibit 14, excluding multicountry projects (which accounted for US\$316 million), the GEF has funded 460 climate change projects in 143 countries since 1991, totaling over US\$1.4 billion. The top 20 recipients of those 143 countries (13 percent of countries) represent 63 percent of global climate change funding (including regional and global projects), and the top 10 alone represent 52 percent. Indeed, China and

India together (with 36 completed or ongoing projects) have received US\$445 million since 1991, more than one-quarter of climate change funding worldwide.

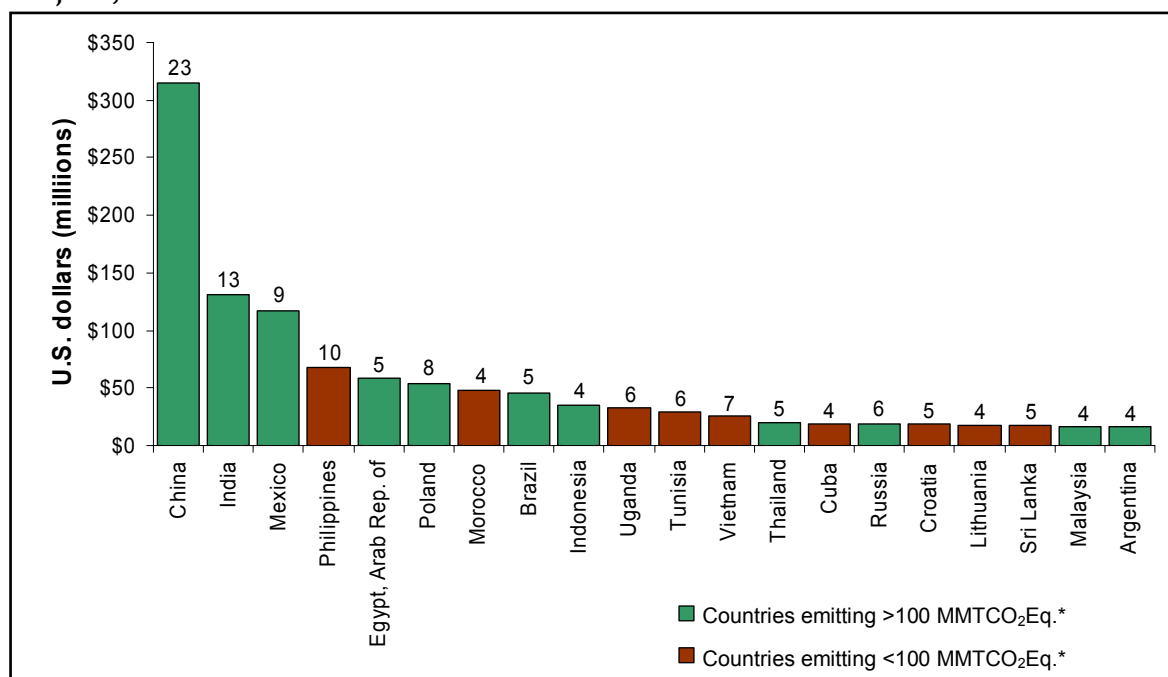
Exhibit 13. Climate Change Funding by Region, Million U.S. Dollars, 1991–March 2005



Notes: Percentages in the individual region graphs represent the percent of GEF funding allocated to each region during each phase of the GEF. Please note that these percentages do not sum to 100 percent because funding for regional and global projects is not included in the totals for each region. GEF funding is lower in GEF-3 because the period is only two-thirds complete at the time of this analysis.

Source: GEF Project Management Information System, accessed March 2005.

Exhibit 14. Climate Change Funding and Number of Projects by Country, Excluding Multicountry Projects, 1991–March 2005



* Million metric tons carbon dioxide equivalent (MMTCO₂Eq.)

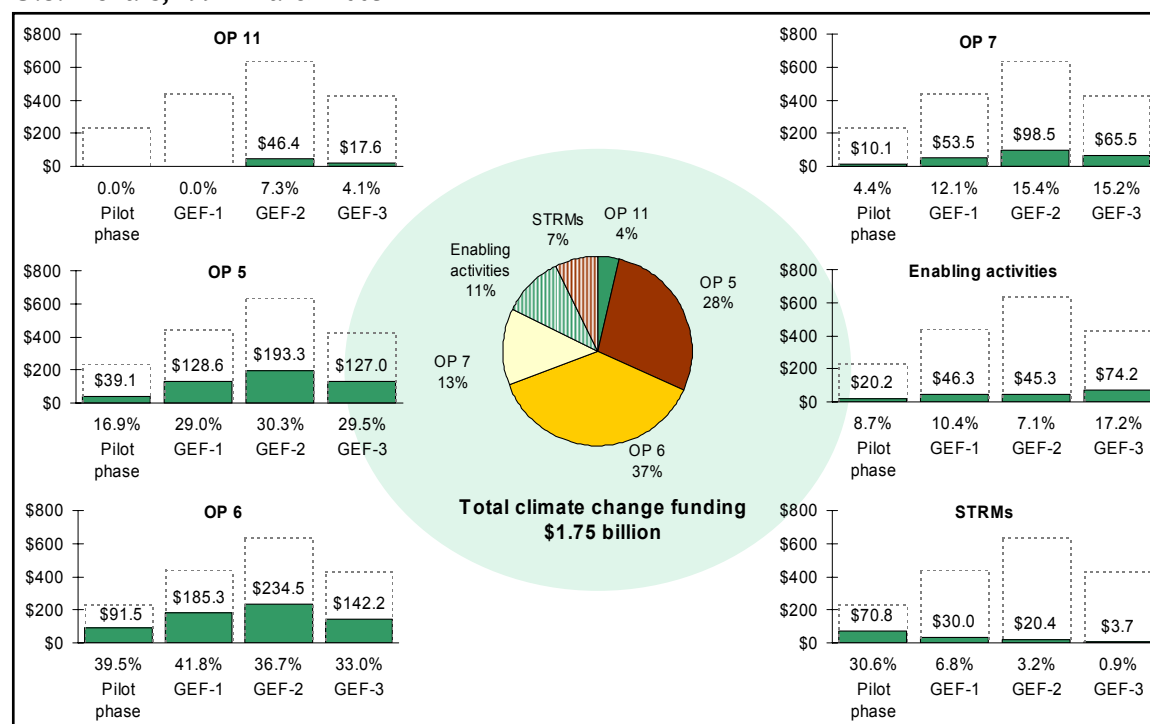
Source: GEF Project Management Information System, accessed March 2005.

Operational Programs

OPs are intended to provide a basic framework for the preparation and design of the GEF projects for specific themes in each focal area. Four OPs support the Climate Change focal area: Removal of Barriers to Energy Efficiency and Energy Conservation (OP5), Promoting the Adoption of Renewable Energy by Removing Barriers and Reducing Implementation Costs (OP6), Reducing the Long-Term Costs of Low Greenhouse Gas Emitting Energy Technologies (OP7), and Promoting Environmentally Sustainable Transport (OP11). Enabling activities and STRMs, respectively, account for 11 percent and 7 percent of total climate change funding since 1991. Exhibit 15 shows the allocation of climate change funds by OP during each GEF phase. Since 1991, OP6 projects have received the largest share of funding to date, US\$653.4 million (37 percent), while OP11 projects have received only US\$64 million (4 percent) of the total of the US\$1,747 million that has supported the Climate Change focal area.

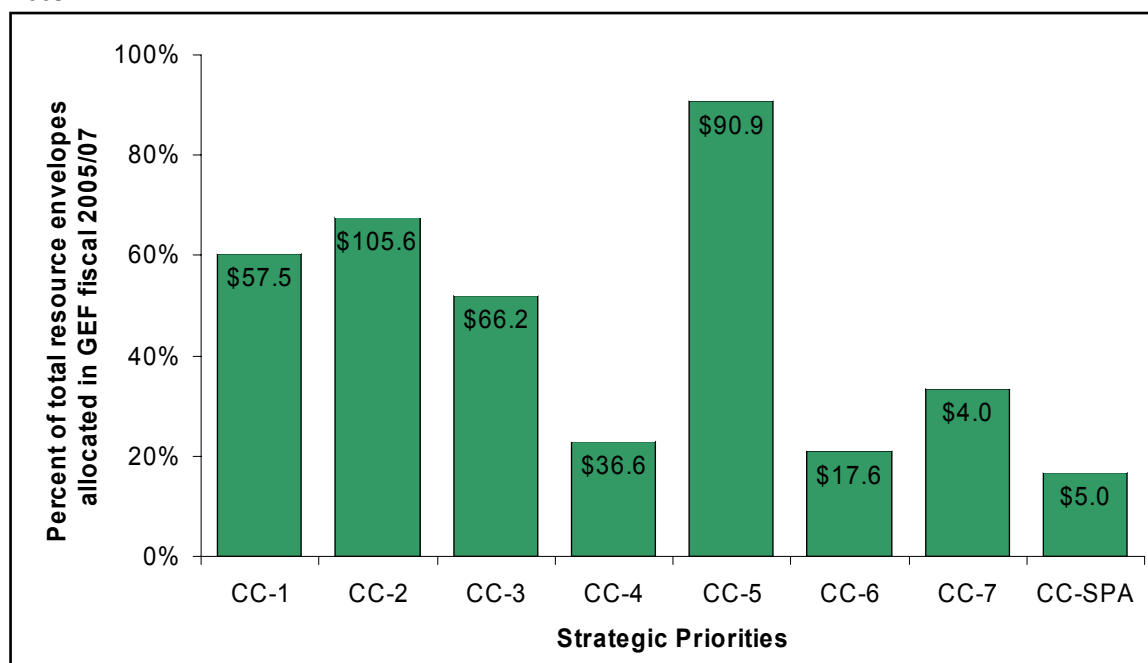
Exhibit 16 presents GEF-3 funding in each Climate Change Program Strategic Priority to date (March 2005). Seven Strategic Priorities were approved in GEF-3 under the Climate Change focal area: Transformation of Markets for High Volume Products and Processes (CC-1), Increased Access to Local Sources of Financing for Renewable Energy and Energy Efficiency (CC-2), Power Sector Policy Frameworks Supportive of Renewable Energy and Energy Efficiency (CC-3), Productive Uses of Renewable Energy (CC-4), Global Market Aggregation and National Innovation of Emerging Technologies (CC-5), Modal Shifts in Urban Transport and Clean Vehicle/Fuel Technologies (CC-6), Short-Term Measures (CC-7), and Adaptation (CC-SPA). As shown, funding has been somewhat inconsistent across the Strategic Priorities; projects have been approved in Strategic Priority 5 equaling almost 90 percent of the total resource envelope allocated in the GEF fiscal 2005/07 Business Plan. By contrast, only about 20 percent of the total resources allocated to Strategic Priorities 4 and 6 have been approved in projects.

Exhibit 15. Breakout of Climate Change Funding by OP, Enabling Activities, and STRMs, Million U.S. Dollars, 1991–March 2005



Notes: Percentages in the individual OP graphs represent the percent of GEF funding allocated to each OP during each phase of the GEF. GEF funding is lower in GEF-3 because the period is only two-thirds complete at the time of this analysis.

Source: GEF Project Management Information System, accessed March 2005.

Exhibit 16. GEF-3 Climate Change Funding by Strategic Priority, Million U.S. Dollars, 2002–March 2005

Source: GEF Project Management Information System, accessed March 2005.

3.2.3 Results of the GEF in Climate Change

Direct and indirect reductions in GHG emissions attributed to the GEF from closed, and expected to result from active, climate change projects (1991 through April 2004) total about 1.9 billion metric tons (MT), as reported by the “GEF Climate Change Program Study 2004 ” (CCPS2004 [GEF/ME/C.24/Inf.2]). Project approvals in fiscal 2003/04 are expected to result in direct emission reductions of approximately 181 million MT and indirect reductions of about 409 million MT, which represent roughly 2 percent and almost 5 percent of the 9 billion MT for global emissions in 2000, respectively (World Resources Institute 2004).

Thus, although OPS3 finds the GEF’s impact satisfactory given its limited resources, the GEF’s role is relatively minor in slowing climate change. It can, however, play an important catalytic role in influencing, developing, and transforming the markets for energy and mobility in developing countries so that over the long term, their economies are less carbon intensive than they would have otherwise been. In addition, the GEF’s role in climate change can help to ensure that developing countries have in place appropriate national adaptation strategies and that the portfolio of projects being undertaken to address global environmental benefits from other focal areas (for example, Biodiversity or International Waters) takes into account the anticipated medium- and longer-term impacts of climate change. For example, a marine ecosystem project should factor in the potential effects of climate change because a rise in the sea level could affect the project results.

To discuss results, OPS3 followed roughly the same evaluation framework as CCPS2004 with respect to the division between outcomes and impacts. The primary outcome of the portfolio is, through barrier removal, market development and transformation, which leads to the long-term impact of reduction or avoidance of GHG emissions. The results of the climate change portfolio across two dimensions are discussed below in “Impacts: GHG Emissions Reduced or Avoided” and “Outcomes: Market Development and Transformation.”

Impacts: GHG Emissions Reduced or Avoided

The GEF climate change portfolio achieves its impacts in several ways. The GEF supports some STRMs, which largely aim to reduce GHG emissions in the short term, although this kind of GEF support remains limited. However, the GEF's main potential impact is its contribution to catalyzing the sustainable transformation of markets and programs such that GHG emissions are reduced or avoided in the long term. These longer-term impacts are inherently more difficult to measure, particularly given the time scales over which the impacts are likely to be realized. As the management response to CCPS2004 highlights, while the GEF's role is primarily catalytic and long term and should not be one "of identifying the cheapest carbon reductions measured in narrowly defined terms," (GEF/ME/C.24/7) measuring the GHG reductions brought about by the GEF remains a useful tool for examining project and program effectiveness.

Indeed, perhaps the most measurable impact of the GEF Climate Change Program is in GHG emissions reduced or avoided, although CCPS2004 marks the first time that these impacts have been aggregated. Projects' impacts on GHG reduction are measured in MT of CO₂ equivalents and consist of both direct and indirect reduced or avoided emissions. Direct reduction is defined as tangible CO₂ reductions directly attributable to specific project activities and the lifetime of technology promoted by the project; indirect reduction is the estimated replication effect catalyzed by the GEF intervention.

Although OPS3 concludes that the overall GHG reduction impact of the GEF climate change portfolio has been marginal compared to the overall climate problem, the GEF has effectively met its own performance targets for emission reductions. At the November 2004 GEF Council meeting, the GEFSEC estimated that the projects approved in fiscal 2003 and fiscal 2004 will have or should result in direct GHG emission reductions of 181 million MT of CO₂ equivalent (about 4 percent of about 4.5 billion MT of CO₂ equivalent for developing country emissions in 2000) and indirect reductions ranging from 409 million to 1.86 billion MT of CO₂ equivalent over their investment lifetimes (GEF/C.24/3).⁸ Thus, based upon even the lower end of the GHG reduction estimates, the GEFSEC considered, and OPS3 agrees, that the mid-term performance target of reduction of at least 200 million MT of CO₂ equivalent as set by the Third Replenishment has been met.

In terms of the GEF climate change portfolio in the aggregate (as of April 2004), CCPS2004 analyzed actual GHG emissions for 43 closed climate change projects⁹ and concluded that the direct impact of closed projects was 97 million MT of CO₂ equivalent reductions and the total impact, including indirect impacts from replication, was 224 million MT of CO₂ equivalent reduced.

When compared to the set of closed projects, the 124 active FSPs and MSPs have improved GHG estimates and underlying assumptions in project design. CCPS2004 reported that, of the active projects, 104 had quantifiable intended CO₂ GHG effects. The aggregate estimated direct impact of these projects amounts to 435 million MT of CO₂ equivalent reduced and roughly 1.7 billion MT of CO₂ equivalent reduced, when the estimated indirect impact of replication is included.

The intended GHG impacts vary widely across the Climate Change Program's clusters, investment levels, country typology, and individual projects. Almost two-thirds of all CO₂ reductions from closed projects come from three disparate projects. Similarly, among active projects, almost 40 percent of CO₂ reductions are contributed by the World Bank's China Efficient Industrial Boilers project. CCPS2004 reported that almost 75 percent of reductions were from 12 projects, 8 of which were in China. Of the estimated GHG impacts from projects approved in fiscal 2003 and fiscal 2004, more than 100 million MT of the 180 million direct MT of CO₂ equivalent reduced are jointly attributable to two projects in China: the China End-Use Energy Efficiency Project (EUEEP) phase 1 project of the UNDP and the Heat Reform and Building Energy Efficiency Project of the World Bank. Such an outcome is not too surprising, given the different scales and categories of project types that inherently have differing abilities to deliver GHG emission reduction. In any given portfolio of projects, there are likely to be a small number of those that can yield significant GHG

emission reductions. This may have implications for the innovativeness of project design, which is discussed in more detail in section 7.1. Strategic resource allocation is discussed in section 3.2.4.

CCPS2004 found that the performance of the GEF portfolio overall in reducing GHG emissions was satisfactory, and OPS3 concurs. The GEF has met its mid-term performance targets as set by the Third Replenishment agreement and led to considerable GHG emission reductions at relatively low incremental costs. Indeed, the cost effectiveness of GHG emission reductions by the GEF seems to have improved over time. For closed projects (as of April 2004), CCPS2004 calculated that avoided emissions ranged from US\$2.00 per MT (direct reductions) to US\$0.87 per MT (direct and indirect), based only on GEF allocations. For active projects (as of April 2004), costs ranged from US\$1.39 per MT (direct) to US\$0.35 per MT (direct and indirect), again based only on GEF allocations.

Outcomes: Market Development and Transformation

Market transformation is a long-term challenge and a dynamic process, and according to CCPS2004 and the OPS3 findings, it is becoming evident in the GEF Climate Change Program. CCPS2004 found that the greatest progress has been made within the energy efficiency portfolio, where it observed achievements in specific countries and sectors, such as financial markets in Hungary, energy-efficient appliances and products in Mexico and Poland, and industrial boiler conversion in China. The OPS3 team also uncovered achievements during its field study that substantiate this general finding. For example, an electrical energy efficiency project in Thailand is credited with catalyzing significant energy efficiency activity in the region. Indeed, for many evolving markets, the GEF is seen as a driving force to help move changes forward.

The experience of the renewable energy cluster is more varied, because the GEF is often trying to develop markets from a much lower baseline. Renewable energy remains, in general, more expensive and less accessible than traditional fossil fuel-based energy sources, despite sustained efforts at volume increases and market aggregation. CCPS2004 reported that the GEF has been able to contribute to emerging market changes in specific energy sectors and countries, pointing to such examples as the mini-hydro energy project in Sri Lanka and the wind market in India.

During field visits, the OPS3 team also observed good examples of market transformation in the renewable energy cluster that corroborate the findings of CCPS2004. For instance, a wind power project in Russia enabled an environment that is more conducive to private sector financing of both wind farms and power plants. In India, a project to develop small hydro resources reportedly led to the re-inclusion of small hydro as one of the priority areas for renewable energy investment in India.

As CCPS2004 concluded, the GEF has had less success in contributing directly to policies that promote energy efficiency or renewable energy technologies. Limited success has also been achieved in advancing new technologies. Under OP7, only a small number of projects have been approved, but the March 2003 STAP review of OP7 found that, “It is questionable, with the current structure of the portfolio, whether the ‘pipeline’ of projects is sufficient to achieve OP7’s objective” (STAP 2003b). Projects in this OP have proven difficult to design

Energy Efficiency in Russia

In 2002, the GEF approved the US\$1 million OP5 climate change project, Cost Effective Energy Efficiency Measures in the Russian Educational Sector. The overall objective of the project is to contribute to the abatement of GHG emissions by improving the energy efficiency of Russian educational facilities. The project sought to address the problem of low attention to energy efficiency measures and inadequate project development capacity, which result in inefficient use of energy and subsequent environmental, economic, and social problems. This project focused on achieved results through awareness raising, training and capacity building, demonstration programs, and development of schemes and tools, including models for sustainable administrative and financial solutions. The OPS3 team met with managers of this project during the field visit to Russia and found that as an outcome of specific measures that had been taken at the participating educational institutions, notable savings in energy use were being recorded. Furthermore, this project seems to have had a significant catalytic effect in primary and secondary education institutions across Russia in terms of the growing number of energy efficiency education programs.

and implement, in large part because key questions must be answered regarding tradeoffs between innovation with higher risk versus mainstreaming with lower risk. Refer to section 5.1.3 for further discussion of innovation versus risk avoidance.

In general, CCPS2004 found that projects were more successful in transforming markets when they:

- Have a clear concept of which market they wish to transform, and which market barriers have to be overcome, and have a well-defined and narrow target group
- Build on a basic level of existing market development
- Have sustained programmatic support, either from the GEF or other partners

3.2.4 Challenges and Strategic Tradeoffs

This section discusses six strategic issues identified by CCPS2004 and OPS3: (1) strategic direction and programming, (2) strategic resource allocation, (3) measuring results, (4) lesson learning and replication, (5) adaptation, and (6) carbon financing and its relationship with the GEF.

Strategic Direction and Programming

OPS2 concluded that the GEF would benefit from a more focused program in the Climate Change focal area, but this does not appear to have been fully achieved in GEF-3. CCPS2004 found that “the linkages between GEF’s overall mission or goals, its strategic priorities, OPs, project clusters, and performance measurement indicators are no longer conceptually clear, nor are they entirely consistent.” Specifically, CCPS2004 noted that the “discourse within GEF on strategies to achieve market transformation is either narrowly constructed or consists of poorly grouped and often unconnected sets of market barriers or project activities.” The study further concluded that GEF Strategic Priorities “obscure potential linkages or overlaps between proposed strategies.” Project-level indicators were also identified as a considerable challenge that significantly complicates the process of aggregating and reporting on intended results at the GEF portfolio level. Moreover, CCPS2004 noted that although emerging strategic issues are often discussed within the GEF family, these discussions often do not result in support of an official GEF position on the issues, such as carbon financing.

In response, CCPS2004 recommended that “the GEFSEC should take the lead in improving overall strategic coherence by clarifying the overarching goal of market transformation outcomes that contribute to GHG emissions reduction or avoidance, and the manner in which existing Operational Programs and associated strategies contribute to this overall goal.” This recommendation was accepted in the management response, where it was noted that clarifying and reformulating the GEF’s programming framework and priorities would increase both transparency and effectiveness.

This lack of clarity and consistency regarding the linkages between GEF strategic directions (for example, OPs, Strategic Priorities) was reiterated to the OPS3 team during field visits at several stakeholder levels, including the IAs. Given that the IAs should be providing guidance to country participants on how to interpret and incorporate GEF strategic direction, OPS3 finds this supporting evidence disquieting, though understandable. Indeed, not only did the OPS3 team hear this message echoed by field visit participants, but as a team that has intensively studied the GEF for the past seven months and has had unrestricted access to all levels of the GEF family, has also experienced difficulty parsing out the strategy of the GEF in climate change.

Strategic Resource Allocation

CCPS2004 found that the current project development system does not favor strategic choice, a condition that has resulted in a relatively dispersed portfolio and cases of missed opportunities in terms of potential impact. In particular, three trends were observed by the study:

- 1) The GEF has generally responded to country needs in climate change, and higher levels of funding have typically been assigned to the countries with the highest overall potential for GHG mitigation. CCPS2004 noted some inconsistencies, however, in allocations to countries with low to medium levels of GHG emissions.
- 2) The “current demand-driven and project-led approval system has led to cases of inconsistent focus *within* countries where the GEF is not always addressing major climate change needs.” CCPS2004 also commented that national communications have generally not been helpful in guiding GEF programming.
- 3) The strategic shifts in the focus of the GEF are not adequately or obviously reflected in the GEF project portfolio, which instead reveals an irregular evolution of project clusters within the OPs.

To address these issues, CCPS2004 recommended that the GEF “improve strategic choice and resource allocation within its Climate Change Program, in order to ensure that the bulk of the portfolio is directed toward mitigation efforts in countries with relatively higher levels of GHG emissions and market transformation potential. For countries with significant GEF portfolios, integrated GEF country strategies need to be developed; smaller portfolios require, at least, explicit priorities.” The management response found that the study did not explicitly note the problem associated with inconsistent allocations to low and medium emitters, and noted that the flexibility to respond to opportunities when they arise has served the GEF well in the past. However, the GEF management stated that they would “take careful note of this recommendation and the associated caveats, and to encourage the development of a cost-effective, country-driven portfolio consistent with its constantly evolving programming framework.” (GEF/ME/C.24/7)

On the first point of directing funding toward countries with higher levels of GHG emissions, OPS3 notes that approximately 20 countries eligible for GEF funding, and which do not have quantified emission limitation objectives under the Kyoto Protocol, emit more than 100 million MT of CO₂ equivalents (Marland, G., T.A. Boden, and R. J. Andres. 2003. Global, Regional, and National Fossil Fuel CO₂ Emissions. In Trends: A Compendium of Data on Global Change. Carbon Dioxide Information Analysis Center, Oak Ridge National Laboratory, U.S. Department of Energy, Oak Ridge, Tenn., U.S.A.; IEA 2003 CO₂ Emissions from Fuel Combustion (edition 2003): Emissions of CO₂, CH₄, N₂O, HFC, PFC and SF₆. International Energy Agency in Paris, France; (3) UNFCCC Greenhouse Gas Inventory Database. <http://ghg.unfccc.int/> Data downloaded January 8, 2003.). As a starting point, these would seem to be the highest-priority countries for future mitigation projects, given the cost-effective nature of the GEF’s interventions and its ability to help countries adjust to a lower emission-intensity pathway. For example, the overall cost effectiveness of emission reductions associated with projects approved in fiscal 2003 and fiscal 2004 is US\$0.51 per MT (including GEF funding, not cofinancing), but the cost effectiveness of projects approved in China in the same years is US\$0.11 per MT, again based only on GEF allocation. This would seem to suggest that the GEF can achieve the most cost-effective emission reductions in high-emitting countries, although again it is important to note that actual cofinancing is not considered in the analysis.

CCPS2004 found that, in general, higher levels of GEF funding have been allocated to countries with the highest potential for GHG mitigation, but that there were inconsistencies in the relationship between GHG emissions levels and GEF funding in other countries, particularly in middle emitters. OPS3 also finds this to be true, as shown in exhibit 14, but finds that although the GEF should pay careful attention to ensure that its portfolio is focused on achieving maximum impact, the GEF should maintain the flexibility to assess individual countries’ enabling environments and determine whether to fund activities. Prioritization of the high emitters should continue by considering the relative availability of national funding and the specific opportunities for the GEF to add value by focusing on specific market transformation projects in the energy

and transportation sectors. Given the GEF's mandate for global and regional balance, one consideration could be to include smaller-emitting countries in more global and regional projects. Smaller emitters could also receive priority for adaptation projects under the adaptation Strategic Priority.

On the second point regarding inconsistent focus within countries, OPS3 concurs with CCPS2004 that to develop a more coherent GEF strategy for those countries that are likely to receive significant levels of funding, the GEF should consider developing country strategies to identify sectoral and project priorities.

OPS3 also notes that most developing countries (Non-Annex I [NAI] countries) are just embarking on the development of their second National Communications. The first National Communications have tended to focus on helping countries meet their reporting obligations under the UNFCCC, in particular with regard to national inventories of GHG emissions. Generally speaking, they have not resulted in projects that can be taken forward through the GEF. They have, however, contributed to institutional capacity building. As evidence, participants in several OPS3 regional workshops commented that the first round of National Communications seems to have been received positively by country stakeholders, and some countries noted that institutions were developed as a result of these communications.

In addition, at several regional workshops, country focal points commented that the second National Communication represents a significant opportunity for countries to develop a national strategy that includes consideration of mitigation and adaptation elements. The IAs have responded positively to the second round of National Communications, which are being approached slightly differently. OPS3 interviews with IAs suggested that a higher level of country ownership and better stakeholder communication would result from this revised approach. IAs also commented that National Communications need to be better linked to national policy.

Measuring Results

OPS3 agrees with CCPS2004 and subsequent management response that the most important role for the GEF in the Climate Change focal area is to “maximize its comparative advantage of catalytic, innovative, and incremental support in ways that change markets to more climate-friendly behaviors,” and OPS3 supports the development of better methods to measure market development results proposed in GEF-4 programming. Although this is paramount, the measurement of reductions of GHG emissions brought about by the GEF Climate Change Program remains an important indicator of project and program effectiveness.

CCPS2004 found that “although the data quality has improved in recent years, the portfolio still suffers from lack of targets; unrealistic estimates, especially for replication; unavailable data; and inconsistencies in estimates among and within clusters.” In response, the study recommended that “the GEFSEC should provide explicit guidance regarding the realistic calculation of GHG avoidance or reduction in project design and implementation and the manner in which impacts should be monitored and reported.” Another consideration for the GEFSEC in developing such guidance should be ensuring consistency with emission reduction methodologies developed under the auspices of the Clean Development Mechanism (CDM).

In fact, OPS3 finds that CCPS2004 has already prompted a useful dialogue among the GEFSEC, IAs, and OME. Discussions are ongoing about how to move to a more harmonized approach to the Climate Change focal area that will generate measurable quantifiable results, where possible, and clearer measures of impacts where it is more difficult to quantify. Additionally, as the management response to CCPS2004 reports, the GEFSEC has worked with the IAs, EAs, and OME to further develop an approach to estimating GHG emissions avoided through GEF projects. This methodology was the basis for the evaluation of mid-term targets for the Third Replenishment (GEF/C.24/3) and also for much of the estimation of GHG emissions reduced as part of the program study. The GEFSEC reported that the methodology should be published as a guide for project proponents by the end of fiscal 2005.

Lesson Learning and Replication

Identifying, storing, disseminating, and incorporating lessons learned into GEF project operations has been an ongoing challenge for the Climate Change Program. OPS2 found that “the existing GEF system is slow to recognize success, and thus slow to replicate and integrate positive lessons in planning for future projects.” More recently, CCPS2004 concluded “learning within the GEF family has been neither systematic nor system-wide, nor has it had strong outreach to outside expertise. This has diminished both efficiency and effectiveness of the GEF Climate Change Program.” Although the CCPS2004 found examples of good knowledge-sharing initiatives within IAs and at the headquarters level within the Climate Change Task Force, it suggested that better learning was needed among projects within the same clusters and within and between countries.

In the management response to CCPS2004, the Climate Change Task Force expressed its hope to “work with all concerned parties to design a system of knowledge management that is concrete, strategic and suited to GEF’s primary role as an institution committed to learning by doing and catalyzing innovative activities in pursuit of global environmental benefits.” In fact, OPS3 found that discussions of a pilot knowledge management initiative in the Climate Change Program have been ongoing among the GEF entities.

Like CCPS2004, OPS3 finds that the GEF’s approach to learning and replication is not effective, given the size of the portfolio and the valuable insights generated at the project level. Furthermore, as cited by the UNFCCC Secretariat, the frequent change of countries’ convention representatives for climate change impedes capacity building. The GEF’s climate change portfolio has generated significant lessons in its efforts to transform markets for energy efficiency and renewable energy technologies that could be useful lessons for other stakeholders involved in the same activities. For a detailed discussion of knowledge management in the GEF, please see section 7.2.

Adaptation

Adaptation was part of the original goal of the Climate Change Program as expressed in the “GEF Operational Strategy” (GEF 1996),¹⁰ adaptation issues have moved steadily to the fore of the climate change policy discussions since COP7 in October 2001. Many developing countries now cite adaptation as a higher priority than mitigation. The global insurance industry expects that the magnitude and frequency of extreme weather events to increase (Swiss Reinsurance Company 2004), and developing countries will be hardest hit, highlighting the need for adaptation measures. Based on the essential need for mitigation to stem climate change, and the need for adaptation in many nations, it is critical that a comprehensive strategy that looks at both adaptation and mitigation be adopted in the GEF climate change portfolio.

In response to recent UNFCCC COP guidance, the GEF has developed a pilot funding window for adaptation to climate change effects, which as CCPS2004 pointed out, will “present new strategic challenges and choices for GEF in both countries with and without GEF mitigation projects.”

Stakeholders in several OPS3 regional workshops, particularly in the Pacific region, suggest that the GEF must fund activities in the area of adaptation to climate change because it is in the guidance from the UNFCCC and, because they are smaller emitters, the mitigation of GHG emissions is not a high national priority. Stakeholders in these regions, as well as IAs, also noted, however, that adaptation will be a complicated new program area because adaptation issues are typically local; thus, the calculation of global environmental benefits and incremental costs will be difficult.

Currently, three adaptation-related funds are managed by the GEF, in addition to the trust fund that includes adaptation in GEF-3 Strategic Priority 7. The GEF is working with its partners to ensure that GEF projects place greater emphasis on issues of adaptation. To start, the GEF is establishing pilot or demonstration projects to show how adaptation planning and assessment can be practically translated into projects that will

provide real benefits and may be integrated into national policy and sustainable development planning. In November 2003, the GEF allotted US\$50 million during the 2005–07 period to support adaptation projects. Up to 10 percent of the GEF adaptation resources will be allocated to the SGP (GEF 2004a).

Carbon Financing and Its Relationship with the GEF

Carbon financing is a mechanism for market transformation, but the GEF's role in this particular type of market transformation must be considered. CCPS2004 reported that the possibilities of greater coordination between the GEF and carbon finance had been discussed within the GEF family. CCPS2004 found that it would be "useful to clarify GEF involvement in carbon finance programs... Assuming carbon finance grows consistent with modest forecasts, the greater the opportunities for GEF to address barrier removal activities (and less on actual finance) as part of a continuum, and the need for the GEF to address the largest markets and lowest hanging fruit should accordingly decline. Whereas the GEF does not have an obvious role in facilitating emissions trade, it needs to seize the leveraging opportunity of funding that carbon trade represents." The management response to CCPS2004 noted that "carbon finance and other flexible mechanisms have dramatically reduced the demand for Short Term Response Measures," which the management found to be a positive trend because it leaves the GEF relatively free to focus on its longer-term catalytic mission.

The OPS3 team believes that carbon finance will play an increasing role in improving the financial returns of many projects of the type that are in the GEF portfolio, particularly as many regions (for example, the EU, Japan, and Canada) begin to impose carbon constraints on their industries, providing companies with an incentive to locate low-cost emission reduction opportunities. With the entry into force of the Kyoto Protocol on February 16, 2005, some projects that have in the past relied on the GEF may be able to tap carbon financing, which may offer more competitive terms and which is more easily able to leverage private sector engagement. A survey of its members by the International Emissions Trading Association released at COP10 in Buenos Aires highlighted that there are currently some 800 CDM¹¹ projects in the pipeline.

As highlighted in the regional workshops and confirmed by the IAs, the GEF portfolio is beginning to see competition for funding arising from the CDM in market segments such as wind and landfill gas, which are especially attractive for carbon financing because these renewable energy technologies are almost cost competitive with fossil fuels in power generation. Indeed, participants in several regional workshops cited the emergence of the CDM as a competitor to the GEF. Specific examples cited included funding delays associated with a wind power project in Morocco that have resulted in the project being more likely to move forward with carbon finance coming from an OECD government donor than through the GEF. Similarly, participants in the steel rerolling project in India designed to improve the energy efficiency of the process are aware that although the GEF can play a critical role in overcoming a market barrier, carbon finance will be an option for the roll out of energy efficiency to other mills.

This is not, however, likely to be the case for the greater portion of the GEF climate change portfolio, particularly as it relates to off-grid rural energy projects and longer-term technologies. At present, the CDM pipeline does not feature many energy efficiency projects because of the difficulty of proving additionality but, based on several new methodologies being submitted to the CDM Executive Board, this may change as improvements in energy efficiency are shown to earn carbon credits. For now, however, transforming the markets for energy efficiency will likely continue to be an area of focus for the GEF.

Just as the GEF is experiencing competition in some market segments, the CDM and carbon finance are currently active in areas where the GEF is not. For example, COP9 in Milan defined the rules for CDM-eligible carbon sequestration projects. To date, the GEF has not considered projects in these areas. Geological sequestration through carbon capture and sequestration (CCS) has been identified by the International Energy Agency's GHG research and development program, among others, as a key medium-term technology for sequestering carbon. At present, the marginal abatement costs of reducing GHG

emissions through CCS are roughly US\$50 per MT of CO₂. Several publicly and privately funded efforts are currently ongoing to ensure that the costs are reduced to half that amount by 2020. As the technology evolves, it may be appropriate for the GEF to undertake pilot CCS projects, given the significant scope for demonstrating this technology in developing countries with large geological sequestration potential. This is a key area for the STAP to monitor.

An outstanding issue is whether the GEF should attempt to engage the private sector by building greater capacity for carbon markets to succeed in developing countries, particularly in those countries that have not attracted investments in CDM projects that reduce GHG emissions. OPS3's conclusion is that the GEF may not need to intervene. The climate change capacity-building programs of the UNEP and UNDP appear to have recognized this market gap and are putting in place a variety of capacity-enhancing measures in CDM-eligible countries. Additionally, there are production sector sources of high global-warming potential (GWP) gas emissions that are eligible for credit under the CDM. Some such sources are associated with mechanisms under the CDM that can lead to disincentives for a phaseout under the Montreal Protocol. This is discussed further in section 3.4.4.

3.2.5 Recommendations

OPS3 endorses the CCPS2004 recommendations on strategic coherence, strategic direction, and lesson learning. OPS3 makes the following additional recommendations, keeping in mind the need for strategic resource allocation based on the competing strategic objectives, including innovation versus cost effectiveness and adaptation versus mitigation:

- *Exploit fully the unique opportunity provided by the second round of the NAI National Communications to develop shared agreements about priority policies, programs, and projects.*

As CCPS2004 notes, the GEF has supported or is supporting the development of the majority of NAI first National Communications. Development of the second round of NAI National Communications provides an opportunity for the GEF to address its stated goal that mitigation and adaptation priorities must be country driven to contribute to UNFCCC objectives and provide greater coherence in funding climate change projects. Specifically, the GEF should use the opportunity to develop sectoral strategies for those countries with existing or anticipated large and diverse portfolios of projects. For countries with portfolios below a certain threshold (which would need to be established), the GEF should explore the development of sectoral strategies at the regional level.

- *Develop lessons learned based on activities undertaken as part of the pilot adaptation Strategic Priority to inform future activities.*

The GEF should identify and synthesize lessons learned from activities implemented under the GEF-3 adaptation Strategic Priority to inform future activities and to feed into any potential revisions of the GEF adaptation strategy. In the further future, through the experiences in its adaptation pilot activities, the GEF will need to develop plans for more strategic response to adaptation following the pilot program, given the cost paradigms each funding source requires. Through its programs on international waters and biodiversity, the GEF is well positioned to carry out the UNFCCC's mandate to help coastal communities—in particular, small island developing states (SIDS)—resist the adverse effects of sea-level rise at the level of natural systems.

- *Evolve the climate change portfolio in light of the maturation of the global carbon market by considering the exclusion or limitation of specific technologies that are already attracting significant carbon finance in specific countries.*

In general, it will be important for the GEFSEC and the IAs to clarify those areas where carbon finance is competitive to inform the GEF's decisions regarding intervening in specific technologies and countries that are already attracting carbon finance. As CCPS2004 pointed out, technologies and clusters that are attractive for CDM in some countries are not in others. One possibility is to ensure ongoing monitoring via the UNFCCC Secretariat of the types of methodologies being submitted to the CDM Executive Board, the number of projects being approved for each approved methodology, and the volumes and geographic distribution of certified emission reduction that are issued. The World Bank's annual report on the state of the carbon market might serve in this regard. The information gathered could be used to identify specific areas where the GEF would be duplicating the role of the private sector if it intervened. Such areas would need to be technology and country specific.

3.3 International Waters (TORs 1A, 1B, and 1E)

3.3.1 Scientific and Historical Context: International Waters

Scientific Context

Both freshwater systems and oceans are under attack as a result of human activities. A majority of wetlands have been drained or otherwise altered, which has affected biodiversity and restricted functioning of these natural systems. Most of the world's largest rivers have been disrupted by dams, canals, and other infrastructure. This infrastructure has caused flooding and changes to river ecosystems, affecting biodiversity. Invasive species are prevalent in a majority of freshwater systems, further altering endemic biodiversity. More than half of the world's major rivers have been degraded by pollution, including untreated sewage, industrial runoff, illegal dumping, and agricultural chemicals from farms. Limited resources in shared river basins have been a source of conflict between countries, especially as demands for freshwater rise. Not only do growing populations demand increasing amounts of freshwater from rivers, groundwater resources have also been contaminated, lowering their potability, and overused, leading to saltwater intrusion and further diminution of fresh drinking-water sources. In addition, the availability of freshwater in certain regions is expected to be affected by climate change. The use of untreated, contaminated water continues to be a major environmental threat to human health in developing countries (UNEP 2005).

Coastal and marine areas have also been affected by human activities, primarily through increasing releases of untreated sewage. Nitrogen pollution from agricultural and other runoff causes phytoplankton blooms and eutrophication. In addition, reported global catch of living marine resources was slightly higher in 2002 than the average for the period since 1990, indicating continued human pressure on marine ecosystems (UNEP 2005).

Measures taken in the international waters area have been very diverse. The UN Convention on the Law of the Non-Navigational Uses of International Watercourses (1997) has helped reduce competition over shared freshwater resources. Awareness of problems related to freshwater resources has increased as a result of the World Water Forums and the International Drinking Water Supply and Sanitation Decade (the 1980s). Other conventions and agreements handle marine environmental protection, loss of wetlands (Ramsar Convention), the prevention of pollution from ships, land-based activities (Global Program of Action for the Protection of the Marine Environment from Land-Based Activities), and the protection of fish stocks (UN Agreement on Straddling Fish Stocks and Highly Migratory Fish Stocks). The Global International Waters Assessment, funded by GEF since 1998, has focused on solutions and actions to various water problems.

Historical Context

OPS2 found that that GEF projects had made significant contributions to the global health of international waters, and project performance in the international waters portfolio was viewed as generally successful.

Activities under GEF projects were identified to have facilitated agreement on new conventions, endorsement of regional agreements, adoption of legislation, and acceptance of best practices.

In analyzing impacts from the perspective of performance indicators—process, stress reduction, and environmental status indicators—OPS2 found that most of the impacts thus far had been related to processes. OPS2 found some impacts that had been identified at the level of stress reduction.

OPS2 suggested that an

examination of the role and definition of OP8 and OP9 seems timely given GEF's expanded mandate in addressing integrated ecosystem management (OP12) and conservation and sustainable use of biodiversity important to agriculture (OP13). Also, the introduction of a new focal area for land degradation will require a thorough assessment of strategic operational issues related to international waters in the operational programs. Furthermore, the classes of priority contaminants to be targeted in international waters projects should be reconsidered in light of ongoing discussions to create an operational program on POPs. Consequently, OP10 [contaminant-based operational program] should be revisited to change the emphasis from ship-derived impacts on international waters to effects of land-based activities.

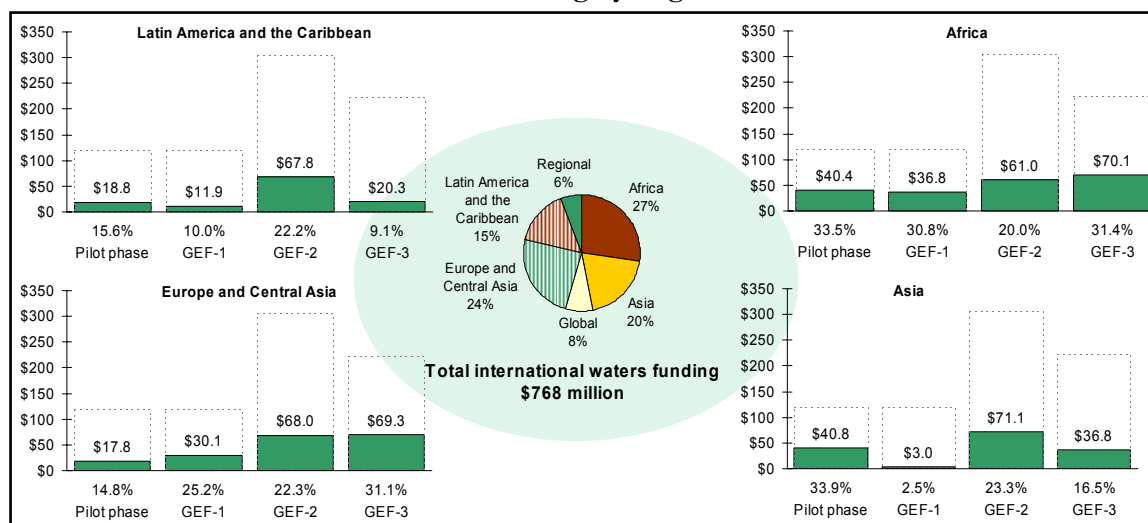
OPS2 also recommended that “the science-based Trans-boundary Diagnostic Analysis (TDA) continue[s] to be the basis for facilitating country agreements on Strategic Action Programs (SAPs) which can mobilize multi-donor support for remedying or preventing environmental threats to international waters.”

The Third GEF Replenishment Agreement set the following mid-term target for the GEF International Waters Program: “Projects will be approved to establish management frameworks (focused on environmental priorities) in riparian countries in no fewer than 2 new transboundary waterbodies.”

3.3.2 International Waters Portfolio Analysis

The GEF's international waters portfolio funding totals US\$768.3 million over the period from 1991 through March 2005. Exhibit 17 shows the geographic distribution of total GEF international waters financing during

Exhibit 17. GEF International Waters Funding by Region, Million U.S. Dollars, 1991–March 2005



Notes: Percentages in the individual region graphs represent the percent of GEF funding allocated to each region during each phase of the GEF. Please note that these percentages do not sum to 100 percent because funding for regional and global projects is not included in the totals for each region. GEF funding is lower in GEF-3 because the period is only two-thirds complete at the time of this analysis.

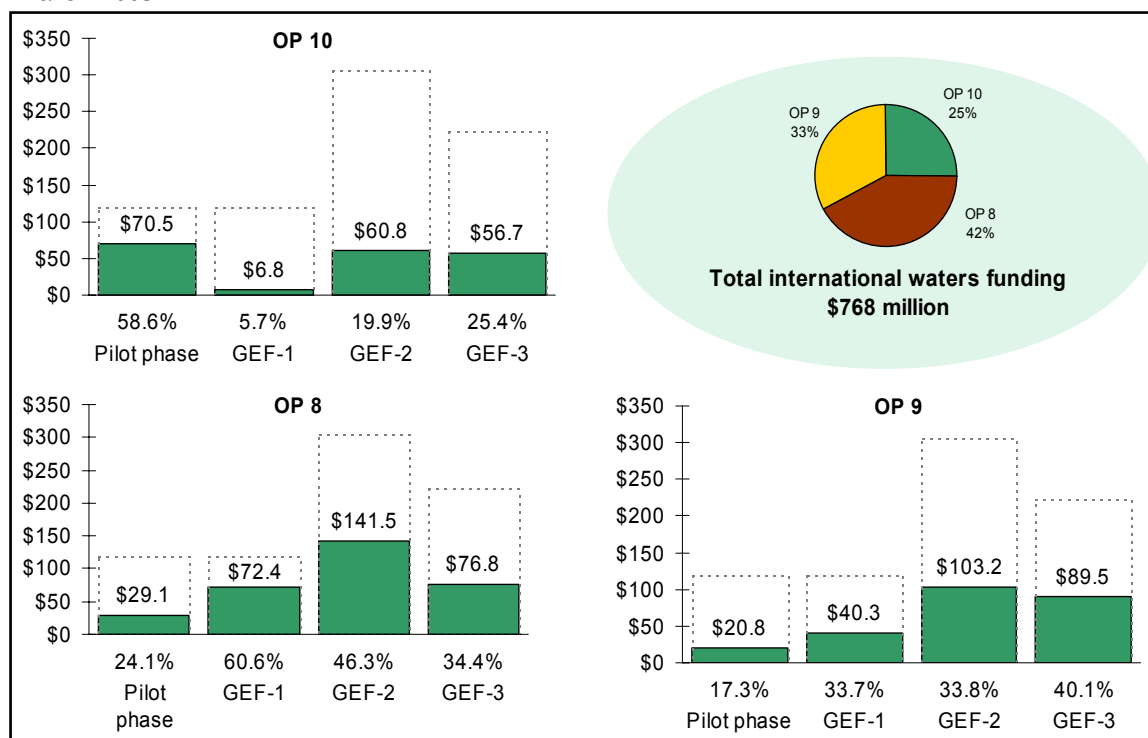
Source: GEF Project Management Information System, accessed March 2005.

that period. This portfolio has grown significantly over time, from a global total of US\$119.4 million during GEF-1 (fiscal 1995 through fiscal 1998) to US\$305.4 million during GEF-2 (fiscal 1999 through fiscal 2002). With this overall growth (about 56 percent from GEF-1 to GEF-2), the geographic distribution of funding has changed somewhat over time. Asia, for example, grew from a small fraction (3 percent) of the international waters portfolio during GEF-1 to 23 percent during GEF-2. The project funding supporting International Waters activities in Asia grew from only US\$3 million to more than US\$70 million over this period, while other regions grew by much smaller amounts. GEF-3 shares to date are shown in exhibit 17, but the phase continues through 2006.

The large majority of funding in the GEF International Waters Program has gone to multicountry projects—US\$622.3 million to date, more than 80 percent of all funding in the focal area. The GEF has funded 21 International Waters projects in 14 individual countries since 1991, totaling more than US\$145.9 million. The top three recipients (China, Romania, and Brazil) represent 57 percent of international waters funding to individual countries.

Exhibit 18 shows the allocation of international waters funds by OP during each GEF Phase. Three OPs support the International Waters focal area: Waterbody-Based Operational Program (OP8), Integrated Land and Water Multiple Focal Area (OP9), and Contaminant-Based Operational Program (OP10). Since 1991, OP8 projects have received the largest share of funding to date, US\$319.7 million (42 percent), while OP10 projects have received only US\$194.8 million (25 percent) of the total US\$768.3 million that has supported the International Waters focal area. The quantity and share of OP10 funding has increased over time, however, from only 6 percent during GEF-1 to 25 percent during the current period.

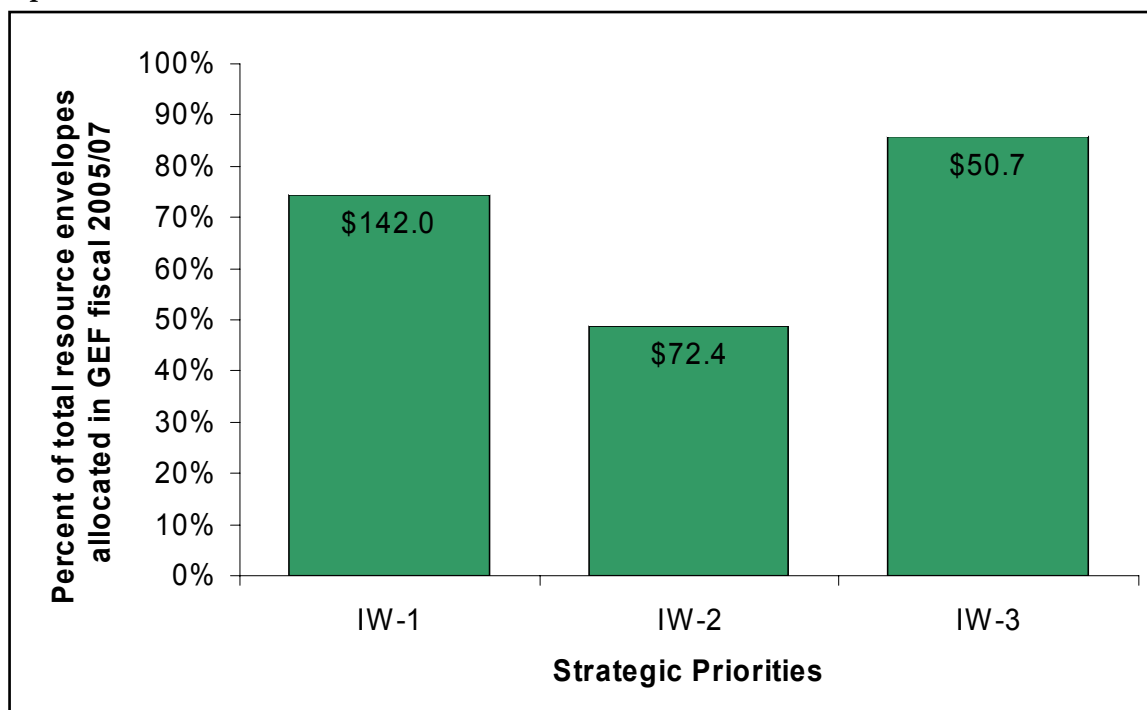
Exhibit 18. GEF International Waters Funding by Operational Program, Million U.S. Dollars, 1991–March 2005



Notes: Percentages in the individual OP graphs represent the percent of GEF funding allocated to each OP during each phase of the GEF. GEF funding is lower in GEF-3 because the period is only two-thirds complete at the time of this analysis.

Source: GEF Project Management Information System, accessed March 2005.

Exhibit 19. GEF-3 International Waters Funding by Strategic Priority, Million U.S. Dollars, 2002–April 2005



Source: GEF Project Management Information System, accessed March 2005.

Exhibit 19 presents GEF-3 funding in each International Waters Program Strategic Priority to date (March 2005). Three Strategic Priorities were approved in GEF-3 under the International Waters focal area: Catalyze Financial Resources for implementation of agreed actions (IW-1), Expand global coverage with capacity building foundational work (IW-2), and Undertake Innovative Demonstrations for reducing contaminants and addressing water scarcity (IW-3).

As shown, funding has been somewhat inconsistent across the Strategic Priorities; projects have been approved in Strategic Priority 3 equaling almost 90 percent of the total resource envelope allocated in the GEF fiscal 2005/07 Business Plan. By contrast, only about 50 percent of the total resources allocated to Strategic Priority 2 have been approved in projects.

3.3.3 Contribution of the GEF to the Health of International Waters

The GEF's mission in the International Waters focal area is to provide global environmental benefits by supporting activities that safeguard transboundary water resources by protecting them against pollution, physical habitat degradation, introduction of non-native species, and excessive exploitation of resources. The GEF Council established guidance for the International Waters focal area in the GEF Operational Strategy. Three OPs were developed to implement the Operational Strategy.

OPS3 used the recently completed "International Waters Program Study" (IWPS2004 [GEFM&E 2002e]) as the primary input on the results achieved through International Waters projects. Based on findings obtained from the OPS3 desk study and stakeholder consultations, OPS3 does not refute any of the results reported in IWPS2004. Indeed, OPS3 agrees that the International Waters focal area is a well-managed portfolio of interventions that extends to almost every GEF-eligible large catchment and large marine ecosystem, and it is increasingly successful at leveraging collateral funding, including investments. The international waters portfolio is a work in progress—that is, it has set out to plan what needs to be done to systematically improve

transboundary water environments and has focused much of its initial support on creating the proper enabling environments to implement those plans. The impacts and outcomes of these efforts are highlighted below.

In general, the International Waters focal area should continue building a foundation for international cooperation on joint waterbodies. This focal area provides a unique mechanism for improving transboundary environmental problems in continental and coastal waters and the global marine commons. Its stepwise approach (of understanding the key transboundary concerns; building capacity to work jointly; identifying policy, legal, and institutional reforms and investments needed to reverse degradation trends; making joint commitments to implementation; and actually implementing on-the-ground measures with agreed incremental costs) could be a useful role model for other focal areas to use in pursuit of improved resource use and sustainable development.

As the GEFSEC noted in a November 2004 document (GEF/C.24/3), the GEF International Waters Program was more than successful in achieving the mid-term target set by the Third GEF Replenishment; in fiscal 2003 and fiscal 2004, projects were approved in six new transboundary waterbodies with the aim of facilitating the establishment of a variety of management frameworks. These approvals represent a significant expansion of the geographic coverage of foundational projects in the portfolio.

Impacts of the GEF International Waters Program

Environmental and Socioeconomic Status

The International Waters focal area is making progress in determining environmental status indicators and setting goals for improved water quality. However, IWPS2004 reported difficulty in convincing some recipient countries to sustain monitoring systems in order to measure the longer-term impacts of international waters projects on environmental status. For example, although IWPS2004 found that more attention had been paid to environmental status monitoring in projects in Lake Victoria, South America, and the South China Sea, it also found that, despite 10 years of activity and substantial action on the ground, a coherent monitoring system had largely not been established in the projects occurring in the Black Sea–Danube region (except in Romania and, to a limited extent, Ukraine). However, OPS3 found evidence that selected, long time-series monitoring to identify system improvements is in fact ongoing on the Black Sea coast, and a long time-series monitoring system is also in place in the Danube countries. Monitoring could, of course, be more rigorous in these projects, but the GEF's primary concern is to catalyze action on the ground in the area of international waters.

To date, there are only a few projects in the international waters portfolio that have entered an SAP implementation phase, such as the Black Sea–Danube Strategic Partnership. These projects are making valuable contributions to stress reduction that are expected to eventually result in environmental status impacts, but it is too early in the lifetime of these projects to report on impacts in terms of environmental improvement.

Stress Reduction

IWPS2004 reported being reasonably satisfied that monitoring of stress reduction impacts was happening in most projects, although the diverse reporting formats and dense documentation made it difficult for IWPS2004 to determine whether systematic monitoring systems had been established.

Stress reduction that will help prevent future degradation of vital systems is occurring in some waterbodies, such as the Black Sea–Danube and Lake Victoria. In other waterbodies, the results of GEF support are still being quantified and are likely to be greater than can be measured at this time.

Outcomes of the GEF International Waters Program

In general, the GEF International Waters Program has achieved significant outcomes. There are numerous examples of International Waters focal area outcomes that in time will result in stress reduction impacts. There is no global convention for which the GEF International Waters focal area is the financial mechanism, but the International Waters Program has itself spawned a global and several regional conventions. This focal area has been an effective agent for policy, legal, and institutional reforms, and for valuable, but unquantifiable, results such as regional integration, political stability, and promotion of peace and security. Further, one of the strengths of GEF interventions is that they provide a forum for countries to address external effects that their activities have on other countries sharing the same waterbody. Countries often resist coming to the table, but the GEF International Waters Program can often be credited with overcoming this resistance.

Outcomes in the International Waters Program have been achieved in six primary areas:

- Successful foundational, demonstration, or SAP implementation projects
- Institutional strengthening, partnerships, and stakeholder participation
- Establishing international agreements
- Increasing regional and global security
- Creating links to sustainable development
- Identifying and incorporating lessons learned

GloBallast: Cornerstone of a New Global Regime

The global transport of invasive alien species by ships' ballast water constitutes one of the greatest threats to marine biodiversity. Economic losses associated with invasive alien species can be significant and can lead to the permanent collapse of traditional sectors and livelihoods. GloBallast is a highly successful GEF project that has catalyzed the issue of transport of invasive alien species into a global priority, decisively contributing to an emerging international legal regime. As expressed by the Chairman of the International Maritime Organization Working Group that drafted the International Convention for the Control and Management of Ships' Ballast Water and Sediments, "GloBallast made us believe that it was possible."

GloBallast developed versatile state-of-the-art methodologies and tools to enable six pilot countries to establish ballast water management frameworks and expertise. These have proven to be of interest to both developing and developed countries, creating a worldwide network of engaged stakeholders. It also provided a platform for advancing technological responses to the problem and contributed to the development of the standards and guidelines needed to manage ballast water. GloBallast has engineered one of the few instances of South-North knowledge and technology transfer. Through its execution and linkages to the convention process, it has become a vehicle for changing national, and potentially regional and global, practices that should translate into far-reaching global benefits.

Each of these is discussed in more detail below.

Successful Foundational, Demonstration, or SAP Implementation Projects

IWPS2004 paid special attention to overall performance of projects classified as "foundational," "demonstration," or "SAP implementation." As a result of research and consultations, OPS3 agrees that: foundational projects generally show improvements upon each iteration of the TDA or SAP process; demonstration activities have been successful in generating local participation and "home-grown" solutions to problems. The success of the GloBallast demonstration project (see text box) to catalyze an international agreement is a noteworthy achievement; SAP implementation projects, such as the Black Sea Strategic Partnership, are demonstrating catalytic impacts through leverage of investments. IWPS2004 found, however, that an increased effort will be needed to maintain coherence among the components of the Black Sea Strategic Partnership, including enhanced mechanisms to coordinate the approaches of the IAs at an operational level. The completed Red Sea project

is another example where all three IAs contributed to the overall success by sharing their comparative advantages. This was a success despite a tendency for projects, such as these in the Red Sea, to fragment into self-standing components because the level of management fees that can be individually charged by the IAs is low when collaboration occurs.

Projects in the International Waters Program have also produced scientific results and catalytic effects. IWPS2004 found that projects that produce scientific results have usually had catalytic effects. Projects such as the Global International Waters Assessment project have advanced the use of large marine ecosystems (LMEs) classification. The United States is planning to promote, within UNEP's Regional Seas Programme and within international fisheries bodies, the use of the LME concept as a tool for enabling ecosystem-based management to provide a collaborative approach to management of resources within ecologically bounded transnational areas.

Establishment of International Agreements

The GEF does not serve as the financial mechanism for a global convention on international waters, but its operational policies have supported the negotiation, establishment, and implementation of several globally relevant treaties, conventions, protocols, agreements, and multicountry commissions related to international waters. Such new regional and global treaties and protocols to existing treaties demonstrate country-driven support for sustainability of GEF catalytic action and underscore the relevance of the achievements in the focal area; indeed, 50 countries have signed the 9 regional treaties and dozens have signed the global convention. Additionally, "Contributions to Global and Regional Agreements: Review of GEF International Waters Program" (GEFM&E 2002a) concluded that the GEF International Waters Program "can thus be seen as a major, or possibly, the major, facilitator of the implementation, and increased adoption, of international water laws, Action Plans, and regional environmental protection agreements," the role of which "may be of critical importance for the success and sustainability of GEF initiatives."

Improvements in Regional and Global Security

There have also been important benefits to regional and global security from some interventions. Interventions such as those in the Dnipro, Caspian Sea, Lake Victoria, Lake Tanganyika, Lake Peipsi, and the Mekong River have promoted a productive dialogue between countries that has avoided conflicts over resource use. This additional outcome has in turn generated greater ownership by the countries involved and has attracted additional donors that are particularly concerned with resource use security issues. The International Waters focal area is likely unique in its capability to achieve such outcomes and leverage. It is therefore making an important contribution to the United Nations' Millennium Development Goals and the Johannesburg Declaration of the World Summit on Sustainable Development (WSSD). During its visit to the Partnership in Environmental Management for the Seas of East Asia (PEMSEA) office in Manila, the OPS3 team found that, in terms of regional security, encouraging the Democratic People's Republic of Korea to participate fully in PEMSEA is a noteworthy diplomatic achievement for which the GEF can take credit.

Partnerships, Stakeholder Participation, and Management and Institutional Strengthening

The GEF has created many successful partnerships with local and national governments; local, national, and international NGOs; academia; private sector entities; donors; and other projects and international initiatives. The GEF has been able to bring different stakeholders together, creating linkages among communities, NGOs, and governments; encouraging cooperation; and improving understanding and dialogue between local and national levels.

As an example of a strategic partnership that the GEF has spawned, the International Waters focal area has successfully piloted in the Danube–Black Sea Basin a Strategic Partnership Investment Fund for catalyzing action to reduce transboundary pollution. Similar partnerships are taking shape elsewhere, suggesting that this

is becoming a priority funding mechanism for implementation of stress reduction measures. There are challenges associated with partnership, however. IWPS2004 found that the constituent projects under the Danube–Black Sea Strategic Partnership had proceeded in their initial phases, some quite successfully, but little cohesion has been achieved, in part because this issue has been given insufficient attention in the initial project design. Based on field visits, OPS3 found that the lack of cohesion in these projects, as well as others, is due in part to a lack of IA supervision and inadequate project management during project implementation. Sufficient technical knowledge, effective political dialogue, and adequate supervision are needed on the part of IA staff, in addition to adequate support from IA headquarters when needed, to foster strong country support and optimal project results. Since IWPS2004, and following the mid-term evaluations of both the Danube and Black Sea regional projects in late 2004 and early 2005, as well as the Danube–Black Sea Basin stocktaking meeting in late 2004, IAs have begun to take steps to address these issues, and they are making progress in an area where the GEF has invested heavily. In particular, the IAs and relevant countries adopted mid-course corrections at the Danube–Black Sea Basin stocktaking meeting, and they now have an imperative for action (see text box). However, it must be noted that the historical political conflicts between countries bordering the Black Sea render the achievement of cooperative support to improve the Black Sea far more challenging than in the Danube River region. In light of this, GEF’s expectations for success cannot be the same for both waterbodies.

Institutional strengthening at the national and regional levels, resulting partly or totally from GEF projects, has proven useful in situations requiring an immediate response. The TDA-SAP process has provided a mechanism for the GEF to contribute substantially to the in-country strengthening of institutions and promote strategic alliances among institutions in different countries, thus promoting the development of effective monitoring systems and improved management capacities. The TDA-SAP tool is a good mechanism for harmonizing the International Waters focal area’s scientific approach with a policy approach, and a positive by-product is capacity building.

To that end, IWPS2004 found that the TDA can be an effective tool if it “sets appropriate boundaries, identifies all relevant stakeholders, conducts studies by joint fact finding (without excluding any relevant regional expertise), includes an appropriate balance of disciplines, identifies the socioeconomic causes of the transboundary problems identified, evaluates the institutional capacity, and makes all the information available to the stakeholders in a concise and nonjargonistic manner.” However, not all of the TDAs examined by IWPS2004 considered all these elements, resulting in difficulties in strategic planning and effective operationalization of the projects; IWPS2004 recommended that stakeholder analysis and institutional

Black Sea/Danube Strategic Partnership

In the Black Sea/Danube Strategic Partnership, there has been a concerted attempt to integrate the comparative advantages of all IAs and counterpart donors to prevent the return of devastating eutrophication to the Black Sea during the economic recovery of countries in its basin. The partnership has generated more than US\$110 million grant funds and leveraged at least three times as much in investment. Its first phase has resulted in a number of very successful large demonstration projects.

The International Commission for the Protection of the Danube River represents a role model platform not only for sustainable river basin management, but also for transboundary cooperation among 13 countries. Despite the region’s ecological and socioeconomic heterogeneity along the Danube River, the commission has proven successful in a variety of activities, including the finalization of a comprehensive Danube Basin Analysis (as a first step for the Water Framework Directive implementation) and setting up a basin-wide Action Programme for Sustainable Flood Prevention.

During the Danube–Black Sea Basin stocktaking meeting held in Bucharest in November 2004, information was shared with the OPS3 team that highlighted initial evidence of stress reduction and ecosystem recovery. The benthic hypoxia observed over broad sections of the western Black Sea in the 1970s and 1980s has been virtually nonexistent in recent years, and benthic species diversity has roughly doubled from 1980s levels. This demonstrates that the Black Sea/Danube Strategic Partnership Investment Fund—the first of several similar partnerships for SAP implementation—is a promising approach for addressing transboundary water problems. It also demonstrates the extent to which international cooperation has been, and is being, fostered through these GEF-funded projects; some of the countries bordering the Danube River have overcome political animosities and historical conflicts in order to work collaboratively to improve water quality.

mapping be an essential part of all TDAs. With respect to the SAPs, IWPS2004 found that well-designed, country-driven SAPs “provide a benchmark to encourage and assess progress toward commonly defined goals and milestones.” However, according to IWPS2004, many SAPs have lacked certain elements that allow them to achieve this success, including detailed Operational Strategies and effective country-level monitoring programs.

The IAs recently completed a three-year process of developing a more harmonized approach to TDA-SAP by developing a TDA-SAP training course, which builds on best practices and lessons learned. This effort is a positive step in improving the ways TDAs and SAPs are conducted. However, additional improvements are needed in the area of project management and supervision.

Links to Sustainable Development

Another important outcome of the GEF International Waters Program is laying the groundwork for sustainable development in relation to international waters. Additional GEF International Waters Program outcomes include providing effective support to integrating protected areas into several ecosystem management projects, building capacity for hundreds of public officials worldwide, and providing opportunities for NGOs to assume a greater role in resource management. As IWPS2004 suggests, much of what International Waters supports is the vital but unglamorous, and difficult to quantify, groundwork for sustainable development: developing strategies and innovative solutions, improving awareness, promoting stakeholder dialogue, helping to build new institutions, testing new approaches through demonstration projects, and creating opportunities for investment. The International Waters Program, in following its Operational Strategy to assist countries to jointly undertake a series of processes with progressive commitments to action, instill a philosophy of adaptive management, and simplify complex situations into manageable components for action (GEFM&E 2002b), is engaged in a pursuit that is difficult to objectively assess. GEF International Waters activities are also making an important contribution to Agenda 21 objectives by bringing together countries that share waterbodies to discuss common strategies for sustainable use and development.

The GEF International Waters Program has also linked multilateral action to achieve global benefits to local benefits and sustainability. Resolution of problems such as huge overgrowths of water hyacinths in Lake Victoria could not have been resolved unilaterally—it was truly a transboundary problem with serious implications for sustainable use of the aquatic resources. It also had important local dimensions for poverty alleviation and a reduction in health risk. Also, Pacific SIDS economies rely heavily on the tuna fisheries. After adopting a GEF joint SAP in 1997, 13 Pacific SIDS began implementation, and a landmark international treaty for sustaining tuna fisheries in the Pacific, the Convention on the Conservation and Management of Highly Migratory Fish Stocks of the Western and Central Pacific Ocean, was negotiated over several years and adopted in 2004. This agreement and the recent GEF commitment to support its initial implementation is having a positive effect on sustainability of the fishery. In general, institutional sustainability is critical in the International Waters focal area, as explained further in section 4.4.2. To ensure institutional sustainability, local conditions, political realities, and the capacities of local institutions must be given due consideration in the planning, development, and implementation of international waters projects.

Lessons Learned

The OPS3 consultations have found that the exchange of lessons learned is significantly improving. OPS3 found that the processes demonstrated in International Waters focal area projects and structured learning undertaken within the portfolio through its International Waters Learning Exchange and Resource Network (IW:LEARN) initiative with all three IAs are excellent models for others to emulate in striving to implement WSSD targets to achieve the Millennium Development Goals. IW:LEARN is in its second phase and has the potential to become increasingly effective at producing focused results and yielding useful products such as the TDA-SAP course, which was an output of Train-Sea-Coast, the second component of the first phase of

Global Knowledge Sharing in International Waters. For a more detailed discussion of lessons learned and knowledge management in the GEF, please see section 7.2.

The GEF IAs and countries have also responded well to fill gaps in coverage of transboundary concerns addressed by projects in the portfolio that have been identified in Program Status Reviews. Two key program gaps have been identified for a number of years: (a) addressing water scarcity and competing uses of water resources, including those resulting from climatic fluctuations, and (b) stabilizing and reversing fisheries depletion in LMEs through ecosystem-based approaches. In response, there are a number of concepts in the approved pipeline as well as several more mature concepts ready to enter the pipeline consistent with the OPs. As underscored by the STAP, implicit in addressing water scarcity and competing water uses in basins is the integrated consideration of surface water and groundwater. This linkage is being stressed.

3.3.4 Challenges and Strategic Tradeoffs

This section discusses three strategic issues identified by IWPS2004 and OPS3: clarification of programs, processes, and practices; M&E and measurement of results; and coordination in the International Waters Program.

Clarification of Programs, Processes, and Practices

IWPS2000 recommended that “much more could be done to clarify the role of the various Operational Programs.... For instance, OP8 and OP9 should be clarified to make them mutually coherent and consistent with the new OP12.” Along the same lines, IWPS2000 recommended that “the definitions in OP10 should be revised to reduce the emphasis on ship-derived impacts on international waters and increase the emphasis on land-based activities and their effects, including those mediated by atmospheric transport pathways. Concurrently, the classes of priority contaminants should be reconsidered and revised to reduce the emphasis on metals, hydrocarbons, and those persistent organic pollutants of primary relevance to the new POPs Convention.” In reviewing progress on these recommendations, IWPS2004 found little evidence of progress to clarify the definition of these OPs, although IWPS2004 did note that the range of projects implemented under OP10 has expanded.

To address these conceptual discrepancies, IWPS2004 recommended “the production and use of an accessible GEF International Waters Focal Area manual to clarify the concepts, tools and processes that are giving rise to recurrent difficulties for project design and implementation.” IWPS2004 envisaged this manual to include clearer descriptions of the OPs and the relationship of the International Waters Program with other focal areas; concepts, including global and local benefits, incremental costs, and leverage; tools such as adaptive management, TDA, SAP, and demonstration projects; and processes, including project cycle details and M&E systems. Written in plain English and translated into all UN languages, IWPS2004 believes that this document should be used during the training of all GEF project staff. OPS3 endorses this recommendation, noting that such a document could be useful in the other focal areas, as well.

GEF management also responded positively to this recommendation, noting that the GEFM&E’s “Monitoring and Evaluation Indicators for GEF International Waters Projects” (GEFM&E Working Paper 10 [2002b]) could serve as a starting point for producing such a manual for GEF-4 that incorporates experience gained during GEF-3. The GEF management response also noted that a training course on the TDA-SAP process and the focal area has been under development for two years, and its final design was completed in October 2004; now the course will be used to train new project staff, governments, and technical experts to address deficiencies in the understanding of the TDA-SAP approach.

M&E and Measurement of Results

IWPS2000 recommended that “a streamlined oversight and tracking methodology should be prepared and implemented.” IWPS2004 identified some areas of progress, including attempts at indicators and improved project identification, but current deficiencies in the M&E system were identified and attributed largely to the fact that the M&E components have not been well integrated into a system. To address these shortcomings, IWPS2004 recommended that the GEF “develop a comprehensive M&E system for International Waters projects that ensures an integrated system for information gathering and assessment throughout the lifespan of a project.” This system, according to IWPS2004, would incorporate monitoring of both project achievements and progress. In endorsing this recommendation, OPS3 also finds that this system should also provide standard formats for reporting on stress reduction and environmental and socioeconomic indicators. GEF management noted that the project level indicators included in GEFM&E Working Paper 10 could be used as indicators of progress in International Waters projects.

Coordination in the International Waters Program

IWPS2004 identified shortcomings with respect to coordination in the International Waters Program, specifically at the regional level and in terms of the role of an important coordination mechanism in the International Waters Program—the GEF International Waters Task Force (IWTF).

IWPS2004 recommended “the incorporation of a regional level coordination mechanism for International Waters projects. The objective of the new mechanism would be to increase the synergies between International Waters projects within defined natural boundaries and their focus on global benefits, to enable communication and coordination with relevant projects in other focal areas, to enhance feedback between projects and the International Waters Task Force, and to facilitate implementation of the M&E strategy at the regional level.”

The GEF management response pointed out actions that are already being taken to improve regional coordination, including a cluster of five new international waters projects in the Sahel and one cluster in East Africa. These have all been prepared with additional resources dedicated to coordination. The management stated that “GEF is committed to continue to program such coordination resources in current and future projects.” Additionally, the GEF management noted that regional coordination has also been included as a feature in Strategic Partnerships, and a Danube–Black Sea Basin stocktaking meeting in November 2004 provided an opportunity to assess why this feature has not worked as well as originally intended and to facilitate integrating lessons learned into future project designs.

IWPS2004 also recommended that the IWTF be redefined in such a way that it should enhance its role in the definition of technical guidelines and policies, and ensure the optimum use of comparative advantages of the IAs within each intervention, and examine the selection of EAs in accordance with agreed criteria. As an additional part of this redefinition, IWPS2004 suggested that an independent study of the management costs of GEF international waters projects, as well as a needs assessment for the efficient technical backstopping and supervision of international waters projects, be conducted. The GEF management response, while supporting the recommendation, suggested that additional corporate resources could be required to implement the recommendation.

Although OPS3 supports these recommendations to improve coordination within the International Waters Program (please see section 6.1.2 for a detailed discussion of coordination within the GEF), it also finds that IA supervision and coordination must be strengthened in the field. Focal point and NGO stakeholders interviewed during OPS3 consultations reported a perceived correlation between the competency of IA project managers and the success of GEF projects. Because international waters projects are inherently complex and politically charged, it is imperative that managers with the proper technical and diplomatic skills take the responsibility to supervise these projects, and that they receive adequate support in regional offices

and headquarters, as needed (see section 4.4.2 for a discussion of the importance of project management to the achievement and sustainability of GEF projects). Strengthened IA supervision and management would likely improve coordination in and results from international waters projects.

3.3.5 Recommendations

In addition to the recommendations from IWPS2004 endorsed by OPS3 above, OPS3 recommends the following:

- *The GEF International Waters Program should move from enabling activities to scaling up of full operations to address agreed priorities for globally critical transboundary water systems.*

The objectives established for the International Waters OPs in 1996 were quite modest because strategies to facilitate multicountry cooperation for addressing transboundary concerns of different types of freshwater and marine systems in different settings were not well developed, capacity building processes take time to build trust and confidence among nations, and only modest resources were available for the focal area. OPS1 (GEF/A.1/4), OPS2 (GEFM&E 2002d), and M&E activities documented considerable success with foundational and capacity building processes, but suggested that determining achievement of OP objectives would require additional years of project implementation.

The GEF International Waters Program has achieved significant success at the foundational and capacity-building levels. This has tended to be a cost-effective approach to overcoming barriers to joint action, building ownership among various ministries in each participating nation, and setting science-based priorities for policy, legal, and institutional reforms and investments. Once the science-based frameworks for joint action have been agreed upon, GEF assistance is intended to move from a foundational and capacity-building phase to implementation of agreed incremental costs of the reforms and investments that will lead to measurable impacts. The initial multicountry projects are equivalent to enabling activities in other focal areas in that they are designed to develop country-driven priorities for policy, legal, and institutional reforms and investments needed to address key transboundary concerns identified by nations.

To date, the International Waters focal area has primarily been a mechanism for catalyzing action by undertaking analyses of transboundary concerns, building capacity to work jointly, identifying needed reforms and investments in action programs, and leveraging funds to implement the programs. The new challenge for the GEF International Waters Program, which the International Waters Strategic Priorities have identified, is to push beyond the shorter-term goals of OPs 8 and 9 (the Waterbody-Based and Integrated Land and Water Multiple Focal Area Operational Programs) to longer-term financial mobilization and realization of demonstration projects necessary under OP10 (the Contaminant-Based Operational Program).

OPS3 recommends that the International Waters focal area should shift from a testing and demonstration mode (enabling activities) to scaling-up of full operations in support of agreed incremental costs of reforms, investments, and management programs needed to address agreed priorities for globally critical transboundary freshwater and marine systems. To this end, specific methodologies for project development and implementation, as well as indicators for project success, will need to be developed. Focus should be given to ensure adequate project management and supervision during implementation.

3.4 Update to the 2000 “Study of Impacts of GEF Activities on Phase-Out of Ozone Depleting Substances” (TORs 1A, 1B, and 1E)

The Ozone Layer Depletion (Ozone) focal area’s main objective is the phaseout of the production and consumption of ozone-depleting substances. In 2000, the “Study of Impacts of GEF Activities on Phase-Out of Ozone Depleting Substances” (hereafter referred to as the 2000 Ozone Study [GEFM&E 2000b]) reported on program progress through 1999 (reported consumption data were through 1997). The TOR for OPS3, in addition to posing questions about quantitative and qualitative benefits of GEF activities in the Ozone focal area, specifically asked for an update of the 2000 Ozone Study. Therefore, the findings for the Ozone focal area are presented here first as overall program results and then as an update to those outcome categories reported in the 2000 Ozone Study.

3.4.1 Scientific and Historical Context: Ozone Depletion

Scientific Context

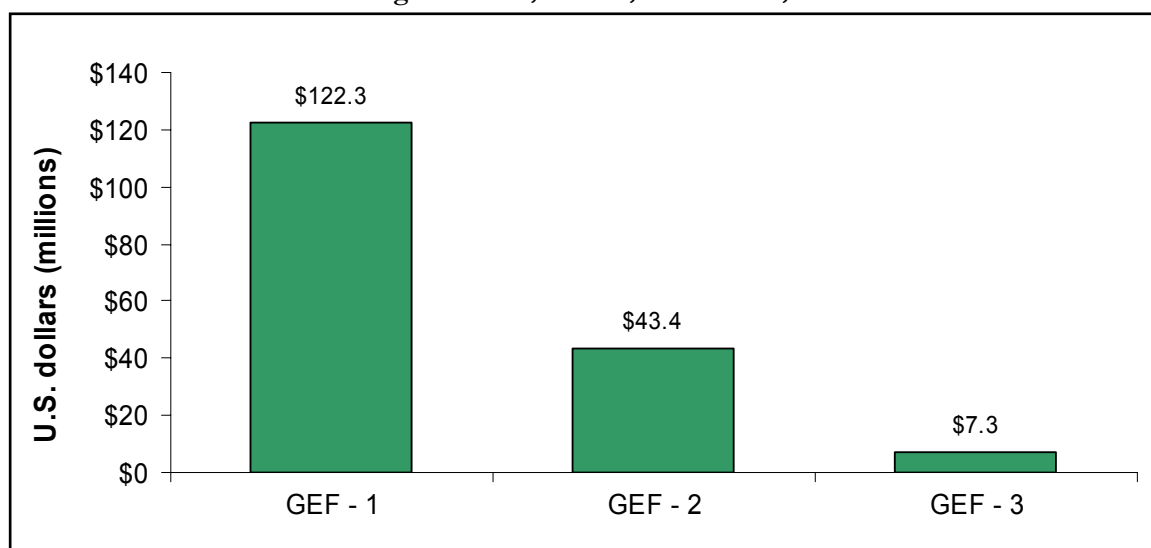
As early as the 1970s, anthropogenic emissions of chlorofluorocarbons (CFCs) and other ozone-depleting substances (ODSs) were identified as a threat to the Earth’s protective ozone layer. These concerns were linked to the seasonal Antarctic ozone hole in the early 1980s. Based on targeted research and high-level discussions in the international scientific community, the link between ozone depletion, ultraviolet-B radiation reaching the Earth’s surface, and the associated risks to human health (skin cancers, cataracts, and immune suppression) was clearly made. These adverse health effects—as well as other impacts, including deleterious effects on agriculture, aquaculture, ecosystems, and materials—led the international community to negotiate the Vienna Convention for the Protection of the Ozone Layer in 1985, and subsequently the Montreal Protocol on Substances that Deplete the Ozone Layer in 1987, to gradually phase out production and consumption of ODSs.

Historical Context

The 1995 GEF Operational Strategy states that “although the GEF is not linked formally to the Montreal Protocol, the GEF Operational Strategy in Ozone Depletion is an operational response to the Montreal Protocol, its amendments, and adjustments.” The GEF focuses on providing support to developing countries that are not eligible for financial assistance under article 5 of the Montreal Protocol; in particular, countries with economies in transition (CEITs) that are not eligible for funding under the Multilateral Fund (MLF) of the Montreal Protocol. The restructured GEF has assisted 18 CEITs in meeting their obligations under annexes A and B of the Montreal Protocol (addressing CFCs and halons). As a result of the implementation of the Montreal Protocol (both GEF and MLF projects), total consumption of ODSs has dropped by more than 90 percent compared to what would have occurred under a business-as-usual scenario.

3.4.2 Ozone Portfolio Analysis

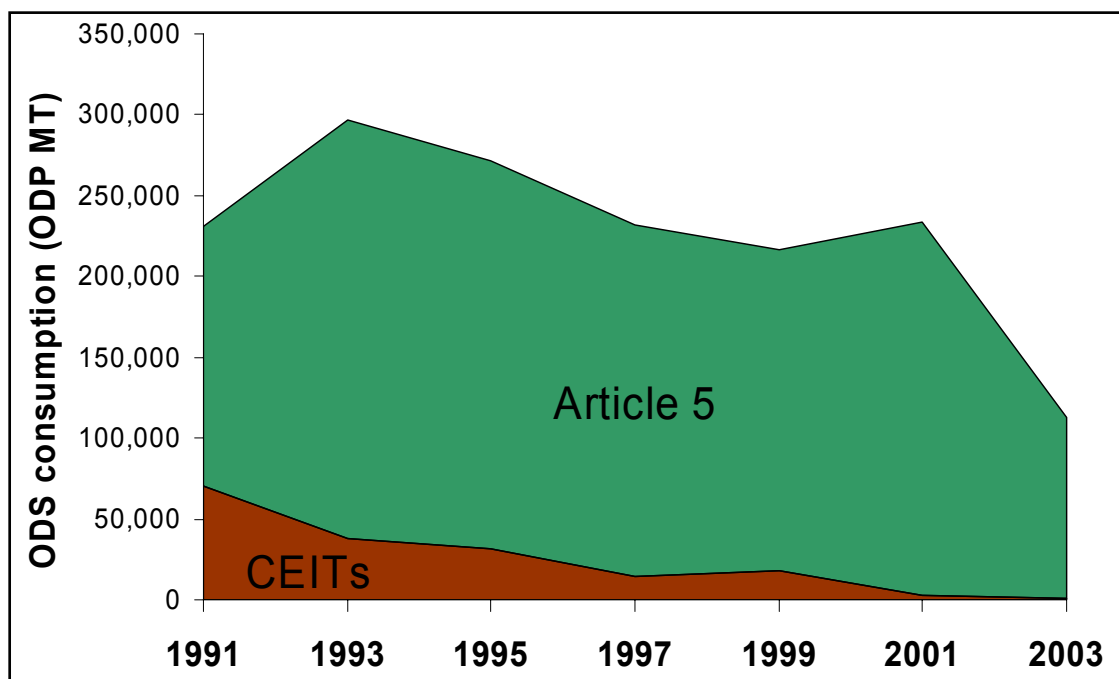
The GEF’s ozone depletion portfolio funding totals US\$177.2 million over the period from 1991 through March 2005. As shown in exhibit 20, this portfolio has been reduced significantly over time, from a global total of US\$122.3 million during GEF-1 (fiscal 1995 through fiscal 1998) to US\$43.4 million during GEF-2 (fiscal 1999 through fiscal 2002), reflecting the success of phaseout efforts in the earlier years. In GEF-3, funding has totaled only US\$7.3 million thus far, although the phase continues through 2006.

Exhibit 20. GEF Ozone Funding in GEF-1, GEF-2, and GEF-3, 1991–March 2005

Source: GEF Project Management Information System, accessed March 2005.

3.4.3 Contributions of the GEF to ODS Phaseout

According to official data reports under Article 7 of the Montreal Protocol collected by the Ozone Secretariat, consumption of Annex A and B substances¹² in the countries eligible for GEF funding (that is, CEITs) decreased from about 296,000 ODP MT¹³ in the late 1980s to less than 350 ODP MT by 2003, a reduction of more than 99.8 percent. Since publication of the 2000 Ozone Study, consumption has dropped from 14,600 ODP MT to 350 ODP MT. This consumption reduction is depicted in exhibit 21.

Exhibit 21. ODS Consumption in Article 5 Countries and CEITs, 1991–2003

Source: UNEP. 1991-2004. "Information provided by the Parties in accordance with Article 7 of the Montreal Protocol on Substances that Deplete the Ozone Layer."

The 2000 Ozone Study anticipated that, excepting Kazakhstan and Tajikistan, all CEITs would be in compliance by 2003. Currently, of the 14 countries that have reported data for 2003, only one CEIT is in potential noncompliance with Annex A and B phaseout requirements. Because some CEITs historically have been in noncompliance with these Annex A and B phaseout requirements, a number of benchmarks were set by the Meeting of the Parties to the Montreal Protocol (MOP) to bring noncompliant CEITs into compliance. For example, in Decision XIII/20, the 13th MOP required Tajikistan to reduce CFC consumption to 4.69 ODP MT for 2003 and to completely phase out CFC consumption by January 1, 2004. Production also has been reduced accordingly, and Russia (the former largest producer of ODSs in the region) reported zero production of Annex A and B substances in 2002.

As shown in exhibit 22, the CEITs have nearly completed the full phaseout of Annex A and B substances, and the GEF has essentially achieved its main objective in the Ozone focal area—to eliminate the

Exhibit 22. Information on CEITs Receiving GEF Support (ODP MT)

Country	Status of ratification ^a	Annex A & B consumption		Annex E consumption		Annex A & B compliance notes
		Baseline	2003	Baseline	2003	
Azerbaijan	MA	3,759.7	10.2	2.8	0	Potential noncompliance.
Belarus	LA	2,811.8	0	0	0	In compliance.
Bulgaria	BA	3,290.0	0	51.8	4.2	In compliance.
Czech Republic	BA	8,654.7	94.6 ^c	6.5	0	By-product waste stocked for feedstock, export, or destruction.
Estonia	BA	311.9	0	0	0	In compliance.
Hungary	BA	8,254.2	0 ^d	31.8	9.5	In compliance.
Kazakhstan	LA	2,349.5	0.4	15.6	6.4	Residual consumption of CFCs is within commitment in plan of action; residual consumption of methyl bromide is above commitment in plan of action. ^e
Latvia ^b	BA	6,183.0	0	15.3	0	Data for 2003 not yet reported.
Lithuania	BA	5,595.3	0	32.9	6.0	In compliance.
Poland	MA	9,880.5	115.0	120.0	36.0	Residual consumption is in essential use exemptions and laboratory and analytical uses.
Russian Federation ^b	LA	233,072.0	0 ^f	0	0	Data for 2003 not yet reported.
Slovakia	BA	1,873.6	6.0	6	0	Residual consumption is laboratory and analytical uses.
Slovenia	BA	2,838.3	0.8	0	0	Residual consumption is laboratory and analytical uses.
Tajikistan	LA	211	4.7	0.9	0	Within commitments in plan of action.
Turkmenistan ^b	LA	178.7	0.5	0	0	Data for 2003 not yet reported.
Ukraine	CA	4,993.2	77.8	0	0	Residual consumption is essential use exemptions.
Uzbekistan ^b	CA	1,888.1	0	4.4	0	Data for 2003 not yet reported.
Total		296,145.5	343.3	288.0	62.1	

a. Presents amendment most recently ratified. MP Montreal Protocol; LA London Amendment; CA Copenhagen Amendment; MA Montreal Amendment; BA Beijing Amendment.

b. These countries had not provided data for 2003 as of the 16th Meeting of the Parties in November 2004.

c. The Czech Republic also reported -4.4 ODP MT for consumption of CFCs in 2003.

d. Hungary also reported -1.3 ODP MT for consumption of CFCs in 2003.

e. Because Kazakhstan has not yet ratified the Copenhagen Amendment, it is not bound by the control measures applicable to Annex E/I.

f. The Russian Federation also reported -6.4 ODP MT for consumption of carbon tetrachloride in 2002.

Source: Information provided by the Parties in accordance with Article 7 of the Montreal Protocol on Substances that Deplete the Ozone Layer

consumption (production, exports, and imports) and emissions of ODSs. All countries with the exception of Kazakhstan have met the 70 percent reduction target for methyl bromide for 2003, but additional efforts will be needed to completely phase out the consumption of methyl bromide. This is especially true in light of continuing use of methyl bromide by developed countries past the 2005 phaseout date. To aid in these efforts, the GEF Council named methyl bromide reduction as one of its Strategic Priorities in its fiscal 2005/07 Business Plan.

CEITs must also address the phaseout of hydrochlorofluorocarbons (HCFCs) (Annex C controlled substances), following the schedules that apply to industrialized countries under the Montreal Protocol, summarized in exhibit 23. Almost all CEITs are well positioned to meet this phaseout schedule. Of the 17 CEITs, in 2003, 13 countries reported that their current HCFC consumption is less than 25 percent of their baseline consumption levels (that is, more than a 75 percent reduction in consumption).

3.4.4 Update to 2000 Study of Impacts—Results

The following topics are parallel to those reported in the 2000 Ozone Study, and the information presented updates the progress achieved in the phaseout of ODSs, as stipulated in the OPS3 TOR.

Project Approval

Since 1999, the GEF has approved projects for ODS phaseout in four additional CEITs (Armenia, Estonia, Kazakhstan, and Tajikistan), bringing the total number of countries receiving support from the GEF for ozone activities to 18.¹⁴ Excluding Armenia, 8 of these 17 GEF projects have been implemented jointly by the UNDP and UNEP, and 9 have been implemented by the World Bank alone. An additional 22 subprojects have been implemented since 1999.

Exhibit 23. Montreal Protocol Controls for Non-Article 5(1) Parties

Phaseout target	Consumption	Production
Base level	1989 HCFC consumption + 2.8% of 1989 CFC consumption.	1989 HCFC production + 2.8% of 1989 CFC production.
Freeze	1996.	January 1, 2004, at the level of the average of its base levels of production and consumption. Allowance for production to meet the basic domestic needs of article 5 parties: 15% of base-level production.
35% reduction	January 1, 2004.	
65% reduction	January 1, 2010.	
90% reduction	January 1, 2015.	
99.5% reduction	January 1, 2020, and thereafter, consumption restricted to the servicing of refrigeration and air-conditioning equipment existing at that date.	
100% reduction	January 1, 2030.	

Source: UNEP. "Summary Control Measures." Available at http://www.unep.org/ozone/Treaties_and_Ratification/2Biii_1summary_controls_measures.asp.

Financing for ODS Phaseout

According to the GEF project database, the total cost of phaseout projects (including regional projects) has grown from US\$335.9 million at the end of fiscal 1999 to approximately US\$359.1 million as of March 2005. Of that approximately US\$23 million increase, US\$15.4 million has come from GEF grants, and the remaining US\$7.8 million has come from cofinancing. As a result, the GEF's total contributions (from 1991 through March 2005) have increased to about US\$177.2 million from US\$161.8 million in 1999. The percentage of the total cost of the projects covered by the GEF has increased slightly over the past five years, from 48.2 percent in 1999 to 49.3 percent as of March 2005.

Amount of ODS Phaseout

As shown in exhibit 24, total appraised direct ODS phaseout¹⁵ has amounted to approximately 19,000 ODP MT, an increase of almost 700 ODP MT since 1999. This increase can be mostly attributed to the considerable progress of Estonia, Tajikistan, and Kazakhstan in implementing their Country Programs for ODS phaseout. Assistance from GEF projects has accounted for approximately 20–60 percent of the total ODS consumption phased out in the Country Program base years.¹⁶ Remaining consumption is phased out either through market forces, legislative measures, or the implementation of economic instruments by agreement.

Approval of Country Programs

The Country Programs for Estonia, Kazakhstan, and Tajikistan were approved by their governments in May, December, and September of 1999, respectively. The grant agreements for Estonia and Tajikistan's corresponding GEF projects were subsequently signed in August and September of 2000. Kazakhstan's GEF project was approved in February 2000, but implementation was delayed while awaiting ratification of the London Amendment (which Kazakhstan undertook in July 2001).

Completion of GEF Projects

By 1999, four countries had completed their GEF projects (the Czech Republic, Hungary, Slovakia, and Slovenia). Since then, Belarus, Bulgaria, and Poland have also completed their GEF projects. In these seven countries, complete or nearly complete (in the Czech Republic) compliance with the Montreal Protocol has been accomplished.

Although their GEF projects have not been closed, Estonia, Latvia, Lithuania, Russia, Uzbekistan, and Ukraine reported zero illegal consumption of Annex A and B substances as of 2003 or earlier.¹⁷ Although Kazakhstan and Tajikistan reported residual consumption, their levels of consumption were within the reduction benchmarks approved by the MOP. Even though Azerbaijan was identified by the 16th MOP as potentially noncompliant, the UNDP reported in its 2002 "Project Implementation Review" (PIR) that Azerbaijan had completed all of its GEF subprojects. The 16th MOP noted that Azerbaijan would complete CFC phaseout by January 1, 2005, and urged Azerbaijan to confirm its introduction of a ban on the import of CFCs, to support full phaseout.

Import and Export Licensing Systems

By 1999, all CEITs except Kazakhstan and Tajikistan had already established or were planning to establish (in Azerbaijan, Estonia, Turkmenistan, and Uzbekistan) import and export licensing systems in the near future. At that time, Latvia had designed their systems to cover only imports, which did not meet the requirements of the 1997 Montreal Adjustment to the Montreal Protocol. Even though not all countries have yet ratified this amendment, all CEITs have now set up import and export licensing systems with the exception of Turkmenistan, whose system has been designed and is in the process of being approved by senior

government officials. Many CEITs have also adopted various policy measures and economic instruments such as import quotas, import bans, use bans, and import taxes, duties, or fees to ensure compliance. To ensure sustainability, it is critical that these systems be supported to prevent the resurgence of illegal trade activities. In addition to import and export requirements, outreach activities, such as customs training and enforcement, should be supported.

Exhibit 24. Summary and Status of GEF Projects in CEITs, ODP MT and Million U.S. Dollars

Country	Base year consumption ^a	Appraised ODS phaseout	Total cost	Contribution by GEF	Percent of total	Number of subprojects	Import/export licensing system established	IA(s)
Azerbaijan	960.6 (1996)	307.4	\$9.0	\$6.9	75.5	6	✓	UNDP, UNEP
Belarus	1,005.8 (1994)	619.7	\$14.7	\$7.4	50.3	8	✓	World Bank
Bulgaria	1,360.0 (1992)	334.4	\$13.5	\$10.5	77.8	15	✓	World Bank
Czech Republic	2,466.1 (1991)	390.0	\$4.1	\$2.3	55.4	5	✓	World Bank
Estonia	58.87 (1998)	50.4	\$1.0	\$0.9	95.3	3	✓	UNDP, UNEP
Hungary	1,854.1 (1993)	1,156.4	\$8.4	\$6.9	82.2	14	✓	World Bank
Kazakhstan	1,305 (1998)	617.4	\$6.4	\$5.6	88.1	5	✓	UNDP, UNEP
Latvia	711.3 (1995)	223.6	\$2.1	\$1.5	69.0	6	✓	UNDP, UNEP
Lithuania	371.5 (1995)	387.0	\$8.2	\$4.6	56.4	7	✓	UNDP, UNEP
Poland	4,147.8 (1994)	1,054.0	\$20.2	\$6.2	30.8	9	✓	World Bank
Russian Federation	48,662.6 (1992)	11,842.0	\$177.6	\$75.9	42.7	23	✓	World Bank
Slovakia	832.2 (1991)	283.0	\$6.0	\$3.5	58.8	2	✓	World Bank
Slovenia	1,205.9 (1992)	338.2	\$9.7	\$6.2	63.8	7	✓	World Bank
Tajikistan	60.1 (1998)	24.1	\$1.2	\$1.0	83.5	4	✓	UNDP, UNEP
Turkmenistan	29.6 (1996)	14.1	\$0.5	\$0.5	95.8	3	(✓) ^b	UNDP, UNEP
Ukraine	2,460.5 (1994)	1,299.8	\$55.5	\$23.3	42.0	12	✓	World Bank
Uzbekistan	272.2 (1996)	142.0	\$3.6	\$3.4	95.7	4	✓	UNDP, UNEP
Total	67,764.2	19,083.5	\$341.8	\$166.7	48.8	133		

a. The base year is given by each country in its respective Country Program.

b. The UNEP reported in its 2003 Ozone Project Implementation Review (PIR) that Turkmenistan's licensing system had been developed, but was still in the process of being approved by senior ministers in sectors involved in ODS control.

Sources: GEFM&E (2000b); 2002 PIRs for Estonia, Kazakhstan, and Tajikistan, and GEF project database.

3.4.5 Challenges and Strategic Tradeoffs

There are few remaining issues in the Ozone focal area to be addressed in large part because of (a) the clear relationship between funded activities and ODS phaseout, (b) the maturity of the focal area, and (c) the strength of the agreements made among Parties to the Montreal Protocol. The GEF has played a key role in extending the success of ODS phaseout to the CEITs.

This section addresses those remaining issues that may affect the success of GEF interventions in the Ozone focal area, as well as issues that may have implications in terms of translating the success in the Ozone focal area to other focal areas. The issues identified by OPS3 are (a) the priority that should be placed on the phaseout of HCFCs, (b) deployment of capacity in the Ozone focal area to other chemicals management agendas, (c) lessons learned for the development of data-tracking and analysis systems, and (d) identification of a clear results chain.

HCFC Phaseout

The MLF stipulates that countries that elected to switch to interim replacement HCFCs in various end-use sectors did so at their own risk because these chemicals had their own phaseout schedules under the Montreal Protocol, and funding would not be provided for a second round of replacements. However, further dialogue on this issue could possibly lead to changes in existing funding eligibility requirements, which would significantly affect the future extent of GEF involvement in the Ozone focal area.

Additionally, many of the obvious replacements for HCFCs in the refrigeration and air conditioning, foam blowing, and other end-use sectors are the potent global-warming gases called hydrofluorocarbons (HFCs). HFCs have GWP that can be many thousand times higher than CO₂, and emissions from these sources are the fastest growing source of CO₂-equivalent emissions globally. If HCFC phaseout strategies are developed, it is critical that strategies be established to ensure that the most climate-friendly options are implemented in place of HCFCs.

Conversely, it is important that the HFC phaseout being pursued under the UNFCCC does not undermine the HCFC phaseout being pursued under the Montreal Protocol. Currently, there is concern that the CDM Methodology AM001—which sets out the baseline and monitoring methodologies for CDM projects for the incineration of HFC-23 waste streams from existing HCFC-22 production facilities located in NAI—will lead to increased consumption of HCFCs and, ultimately, higher eligible incremental costs to be paid by the GEF and MLF in the HCFC production phaseout. This is because AM001 will provide HCFC producers with financial benefits, which could allow them to lower the costs of HCFC-22 and spur an increase in consumption. Efforts are needed to ensure that mechanisms established under these environmental conventions do not lead to counter incentives.

Capacity Sharing

OPS2 noted that the success of the GEF approach in the Ozone focal area could be linked to its reliance on a comprehensive country strategy that, in addition to phaseout, resulted in institutional strengthening activities that enhanced country commitments. However, based on discussions with IAs, OPS3 notes that because incremental operating costs are not covered in GEF funding, capacity in CEITs may be short lived. This may have implications for the sustainability or the sharing of capacity, or both, across chemicals management treaties (please see section 3.6).

Data Systems

This analysis of the results of the Ozone focal area in terms of reduced consumption of ODSs was enabled by the databases maintained by the Ozone Secretariat. Part of the reason that the database maintained by the

Ozone Secretariat is so effective in reporting on results is that baselines were set by which to measure progress. Further, the analysis of appraised ODS phaseout was accomplished by examining individual project documents; the GEF maintains no central database of data on ODS phaseout.

Clear Results Chain

The success in identifying results in this focal area is also due in part to the strong and relatively straightforward connections between project inputs and resulting outputs, outcomes, and impacts. For example, investment projects brought under the GEF aim to phase out ODS in the short term, which leads directly to a long-term global environmental impact of repairing the ozone layer, which in turn leads to human health and environmental improvements. The cohesiveness of the results chain in the Ozone focal area is partially a result of the direct connection between ODS emissions and ozone depletion, but also a result of the extensive research to establish the links between the reduction of ODS emissions and health and environmental impacts that has been undertaken in the science community, as well as agreements entered into by the Parties to the Montreal Protocol that lay out how results will be measured and who will be responsible for ensuring that results are sustained. Lessons regarding the establishment of an integrated results chain, as well as setting of baselines, can be learned particularly for the POPs focal area or other chemicals management agreements (please see section 3.6).

3.4.6 Recommendations

- *The GEFSEC should coordinate with convention secretariats and other bodies regarding HCFC phaseout issues.*

The GEFSEC should continue coordinating with the MLF Secretariat regarding funding eligibility for HCFC users who have already received funding to convert from CFCs to HCFCs, to the extent that existing eligibility requirements may change. Similarly, if HCFC phaseout projects are developed in the future, dialogue between the GEFSEC and the MLF Secretariat will be needed to establish strategies to ensure that the most climate-friendly options are implemented. In addition, the GEFSEC and MLF Secretariat should coordinate closely with the CDM management bodies to ensure that the CDM (in support of the UNFCCC) does not undermine efforts pursued under the Montreal Protocol through finalization of AM0001.

- *The GEFSEC should coordinate with the MLF Secretariat on project funding eligibility issues and phaseout opportunities.*
- *LAs should prevent backsliding by ensuring that adequate customs training and border enforcement activities are conducted to thwart illegal trade of ODSs.*

3.5 Land Degradation (TORs 1C and 1E)

This section discusses whether projects developed under the Land Degradation focal area reflect global priorities. Because the UN Convention to Combat Desertification (UNCCD) has been agreed upon by the international community, the priorities outlined in the convention document are recognized as global priorities. The overarching objective of the convention is to “combat desertification and mitigate the effects of drought in countries experiencing serious drought and/or desertification, particularly in Africa...with a view to contributing to the achievement of sustainable development in affected areas.” The convention states that “achieving this objective will involve long-term integrated strategies that focus simultaneously, in affected areas, on improved productivity of land, and the rehabilitation, conservation and sustainable management of land and water resources, leading to improved living conditions, in particular at the community level.”

3.5.1 Scientific and Historical Context: Land Degradation

Starting with the UN Conference on Desertification in 1977, land degradation has become internationally recognized as a threat to the global commons. As described in the “Scope and Coherence of the Land Degradation Activities in the GEF” (GEF/C.24/6/Rev.2), land degradation “is associated with desertification, deforestation, loss of biodiversity, its affect on climate, sedimentation and pollution of international waters.” As appropriate, given the magnitude of the impact of land degradation, international responses to address this issue have been incorporated in a variety of conventions and international agreements. These include the CBD, and UNFCCC, as well as several international waters agreements and the UN Forum on Forests.

Land degradation is defined by the UNCCD as the reduction or loss of the biological or economic productivity of drylands, and desertification is further defined as “land degradation in arid, semiarid and dry subhumid areas resulting from various factors, including climatic variations and human activities.” Desertification occurs on all continents except Antarctica and affects the livelihoods of millions of people, including a large proportion of the poor in the drylands, which occur in more than 110 countries. According to the “Millennium Ecosystem Assessment, Ecosystems and Human Well-Being: Desertification Synthesis” report (World Resources Institute 2005), drylands occupy 41 percent of Earth’s land area and are home to more than 2 billion people—a third of the human population in the year 2000.

The “Millennium Ecosystem Assessment” determined with medium certainty¹⁸ that 10–20 percent of the world’s drylands are already degraded. This report stated that “if unchecked, desertification and degradation of ecosystems services in drylands will threaten future improvements in human well-being and possibly reverse gains in some regions.” Therefore, the report identifies desertification as among the greatest environmental challenges today and a major impediment to meeting basic human needs in drylands. As a response to this ongoing challenge, the UNCCD entered into force in 1996, and to date, 191 countries acknowledge it as a legally binding framework to tackle land degradation–related issues.

The GEF has been supporting its recipient countries in addressing land degradation issues since its establishment in 1991. However, until 2002, the GEF’s support focused on addressing land degradation issues as they related to the original focal areas—Biodiversity, Climate Change, International Waters, and Ozone. In October 2002, the GEF Assembly approved Land Degradation as a new focal area, meaning that a project may tackle land degradation as its primary objective. In September 2003, the UNCCD designated the GEF as an official financial mechanism. This designation makes sustainable land management a primary focus of GEF assistance to achieve global environmental benefits within the context of sustainable development.

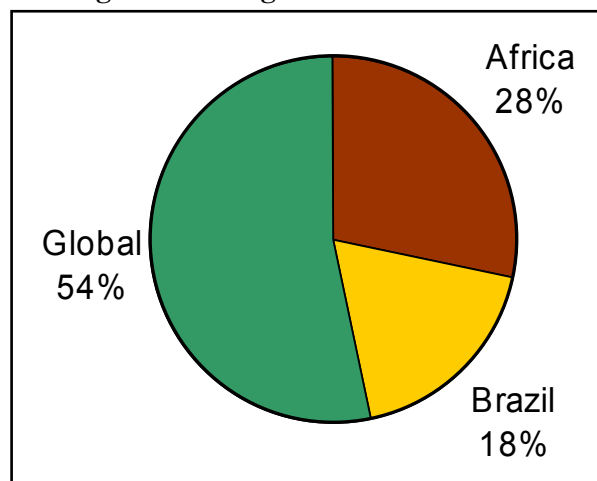
The Land Degradation focal area is operationalized through OP15, Sustainable Land Management (SLM). In the OP15 document, the definition of land degradation developed by the STAP Expert Group Workshop on Land Degradation is used: “...any form of deterioration of the natural potential of land that affects ecosystem integrity either in terms of reducing its sustainable ecological productivity or in terms of its native biological richness and maintenance of resilience.” The operational program specifically notes that GEF support under OP15 “will be consistent with the work program priorities of the UNCCD as well as the program priorities on sustainable land management of the UNCBD and the UNFCCC.”

3.5.2 Land Degradation Portfolio Analysis

Land Degradation’s OP15 was approved by the GEF Council in May 2003, and funding for the OP on SLM was provided “with the assumption that the program will take time to develop and mature” (GEF/C.24/6/Rev.2). However, according to that document, “Scope and Coherence of the Land Degradation Activities in the GEF,” the response to the new OP far exceeded expectations, and the funds made available in GEF-3 have not been able to meet the demand for developing activities in OP15.

An allocation of US\$250 million was made for the Land Degradation focal area under GEF-3. As of March 2005, the GEF portfolio of approved land degradation projects totaled US\$72.2 million.¹⁹ Of this amount, about US\$20.5 million (28 percent) has been approved for projects in Africa, US\$13.3 million (18 percent) has been approved for two projects in Brazil, and US\$38.5 million (54 percent) has been approved for global projects (as shown in exhibit 25). Of the US\$38.5 million allocated for global projects, however, the majority (about US\$29 million) was approved for a project supporting LDCs and SIDS to develop a targeted portfolio approach for capacity development and mainstreaming of sustainable land management. Therefore, because the majority of LDCs are in Africa, a good portion of the funding for global projects is destined for African countries.

Exhibit 25. Regional Distribution of GEF Funding in Land Degradation



Source: GEF Project Management Information System, accessed March 2005.

As had been the case prior to the establishment of the Land Degradation focal area, land degradation in GEF-3 was undertaken in part in conjunction with other GEF focal areas. A study was undertaken to determine the magnitude of resources devoted to land degradation activities within other focal areas, which resulted in the report, “Status of Land Degradation as a Cross-Cutting Issue under GEF-3” (GEF/C.24/Inf.6). This report reviewed a total of 158 GEF-3 projects with a total GEF allocation of US\$643.9 million. The specific allocation of activities related to land degradation in these 158 projects was estimated at US\$155 million. Furthermore, the 2001 “GEF Land Degradation Linkage Study” (GEF/C.17/Inf.7. “GEF Land Degradation Linkage Study.” April 2001), which reviewed 103 land degradation linkage projects in a desk study, found that “while projects containing a strong land degradation (LD) component have been allocated about US\$278 million by the GEF, the portion that comprises the land degradation component is estimated at US\$50 million of the GEF portfolio.”

3.5.3 Current Evidence on Meeting Global Priorities

Meeting Global Priorities through GEF Strategic Documentation

The global priorities outlined by the UNCCD are addressed by the GEF in OP15, the Land Degradation Business Plan, the “Scope and Coherence of the Land Degradation Activities in the GEF” (GEF/C.24/6/Rev.2) report, and project documents.

A comparison of the convention priorities and those established in GEF documentation is outlined in exhibit 26. OPS3 concludes that the GEF has generally addressed the global priorities established in the UNCCD. All of the global priorities mentioned in the convention are addressed in GEF documents. In some ways, however, priority actions under the Land Degradation focal area have a more global or integrated perspective than the priorities set forth by the UNCCD, for instance:

- The UNCCD has a priority for combating desertification in Africa, whereas the GEF Land Degradation focal area strives for geographic balance.

Exhibit 26. Comparison between UNCCD Priorities and Land Degradation Business Plan and OP15 Priorities

Convention priorities	OP15 priorities	Land Degradation Business Plan priorities
Combat desertification and SLM		
✓✓	✓✓	✓✓
Indigenous involvement		
✓✓	✓✓	✓
Creation of enabling environments		
✓	✓	✓
Capacity building		
✓	✓	✓
Mainstreaming into national priorities		
✓	✓	●
Stakeholder involvement		
✓	●	✓
Technology development and coordinated information collection		
✓	●	✓
Geographic priority to Africa		
✓	●	●
● not covered under the scope of OP15 or the Business Plan.; ✓ priority addressed by documents; ✓✓ priority emphasized by documents.		

the GEF Operational Program on Sustainable Land Management” (GEF/C.23/Inf.13.Rev.2 “GEF and Small Island Developing States”) summarizes the initial GEF actions under OP15 to implement programs to promote sustainable land management. Thus far, actions have focused on capacity building, the creation of enabling environments, and integration to enable countries to fulfill their obligations under the UNCCD. These first steps include:

- An MSP (Global Support to Facilitate the Early Development and Implementation of Land Degradation Programs and Project under the GEF Operational Program 15) has been created to introduce OP15 and possible GEF enabling activities to countries and develop guidelines for preparation of activities in SLM for wide distribution to countries and collaborating partners.
- A GEF umbrella project was developed to help LDCs and SIDS fulfill their obligations under the UNCCD and build their capacity for the implementation of sustainable land management activities.
- Three country pilot partnerships in Central Asia, Cuba, and Namibia, have begun the process of implementation. These partnerships allow for integrated land and water management at the national level by providing a longer time frame than the typical three- to five-year project cycle, providing a predictable and sizeable commitment of resources, and allowing individual countries to design programs suitable to their unique needs, capacities, and levels of development.

A May 2005 assessment, “Scope and Coherence of the Land Degradation Activities in the GEF” (GEF/C.24/6/Rev.2), determined that “after only 23 months of implementation, the GEF land degradation portfolio is robust and well balanced regionally and thematically...[and that] all GEF3 resources have been allocated to high quality project proposals representing a broad range of innovative approaches to SLM.” OPS3 and the “Scope and Coherence” report find that the land degradation portfolio coherently meets the objectives of the OP and the Strategic Priorities established for the focal area. Land degradation continues to

- The UNCCD focuses on combating desertification, but GEF projects tackle all causes of land degradation (unsustainable agricultural practices, overgrazing, deforestation and forest degradation, and so on.), including that which occurs in humid areas.

This broader focus is appropriate, given OP15’s commitment to land degradation as a whole (not just desertification) and its consideration of the goals of the UNCCD, UNFCCC, and UN Forum on Forests. The Strategic Priorities for GEF-3 were appropriately established to allow for the “quick development of a portfolio of projects that address urgent concerns of countries to: (a) strengthen their enabling environment for effective SLM, and (b) build capacity to fulfill their obligations under the UNCCD” (GEF/C.25/Inf.7).

Meeting Global Priorities through Project Approvals

The “Progress Report on Implementation of

be addressed in the other focal areas of the GEF, and there is a steep increase in the number of projects that address land degradation as a cross-cutting issue.

Meeting Global Priorities through Achieving Project Objectives

Although to date no land degradation projects have been completed and therefore there are few, if any, results from land degradation projects to review, throughout stakeholder consultations, the OPS3 team found that land degradation (either desertification or deforestation) is a significant national priority in recipient countries and that the efforts made toward alleviating land degradation thus far through projects in other focal areas have been in line with global priorities as defined by the UNCCD, as well as the UNFCCC and the CBD.²⁰

Furthermore, the guidelines for GEF-eligible activities in SLM, which were completed in May 2004 in conjunction with the land degradation Strategic Priorities²¹ developed concurrently with the inception of OP15, can be expected to ensure that the land degradation projects in the GEF portfolio and pipeline will be closely linked to the global priorities for land degradation.

As identified in the “Scope and Coherence” report, lessons learned so far from land degradation project implementation confirm that: “(a) prevention and control are more cost effective than rehabilitation measures; (b) effective strategies for the prevention and control of land degradation will require an appropriate mix of local management and macro policy approaches; (c) enabling environment and capacity building for SLM are fundamental to achieving positive results; and (d) integrated approaches that are based on stakeholder participation as well as building on national established planning frameworks are likely to assure sustainability of SLM activities.”

3.5.4 Challenges and Strategic Tradeoffs

To stay in accord with global priorities, the GEF Land Degradation Program must continue to strike a balance among land degradation strategic priorities, “traditional” project approach modalities, and piloting of innovative, cross-cutting sector and programmatic approaches and land use systems (agriculture, rangeland and livestock, and forestry). OPS3 concurs with findings of the “Scope and Coherence” report that the following challenges for the Land Degradation focal area will need to be addressed in GEF-4:

- Defining criteria and programming and project performance indicators as well as a science-based priority-setting process that will ensure the selection and M&E of viable initiatives with desired impact
- Fostering systematic learning through a well-tailored knowledge management program
- Finding a mutually beneficial balance of tradeoffs between global environmental benefits and sustainable livelihoods while not diverting from the GEF core mandate to protect the global environment
- Balancing the steadily growing demand for GEF support under this new focal area against limited available resources

OPS3 also notes that the lack of baseline land degradation data against which to measure the results of GEF land degradation projects in terms of actual environmental improvement over time is a challenge that needs to be overcome in this focal area (as well as most other focal areas). The GEF is well aware of these challenges, and it is making strides in addressing them in the planning and development of strategic objectives for GEF-4.

3.5.5 Recommendations

OPS3 recommends the following:

- *As the GEF moves forward in its programming for GEF-4, there should be a clear evolution toward identifying synergies among the focal areas and programming in the broader context of integrated natural resource management.*

With integration, the GEF will better link its incremental role as steward of the global environment with the growing international call for sustainable development (GEF/C.24/6/Rev.2).

- *A system for prioritization of GEF funding under OP15 should be established.*

A robust pipeline of GEF land degradation projects is under development. To optimize the global benefits, a prioritization system for funding in the Land Degradation focal area should be developed. Furthermore, clearer definitions of activities beyond capacity building, particularly those related to the Strategic Priority “implementation of innovative and indigenous sustainable land management practices,” should be developed to distinguish GEF activities from national activities, and global benefits from local benefits. Optimally, the allocation to the Land Degradation focal area will be increased in future negotiations, such that the resources for this important and highly synergistic focal area are less constrained.

- *The GEFSEC should develop a set of output and outcome indicators, with a focus on the global and incremental benefits at the project, national, and global levels.*

These indicators should be developed to help prioritize funding of the scarce resources. Conversely, once more definition is given to the GEF priorities within the Land Degradation focal area, and the priorities begin to influence the projects in implementation, there will be greater clarity as to the sphere of influence of OP15 projects, and it will become easier to assess the results attributable to these GEF funds.

Moving Forward in Africa

In 2001, African heads of state adopted the New Partnership for Africa's Development (NEPAD), which sets forth a vision and strategic framework for the integrated socioeconomic development and environmental protection of the continent. NEPAD calls for the development and adoption of a coherent action plan to address environmental concerns, known as the Action Plan of the Environmental Initiative of NEPAD, which has been prepared under the auspices of a UNEP-GEF MSP. This proposed action plan adopts a long-term approach focused on enlarging Africa's economic prospects through sustainable environmental management. The plan considers economic growth, income distribution, poverty eradication, social equity, and better governance as an integral part of Africa's sustainable development agenda (UNEP 2003b).

The GEF has also been addressing environmental concerns in Africa through its involvement with the NEPAD Action Plan on Combating Desertification, which is one of the seven components of the Action Plan of the Environmental Initiative. This action plan is focused on four thematic areas: (1) support to the implementation of the UNCCD; (2) SLM; (3) networking, capacity building, and institutional strengthening; and (4) policy and governance issues. As part of this work, the GEF has supported Africa's UNEP-FAO-UNCCD initiative, Land Degradation Assessment in Drylands, as well as the UNDP project, Coping with Drought and Climate Change by using Climate Information for Reducing Land Degradation and Conserving Biodiversity. The GEF has also supported the implementation of National Action Plan Objectives in Dryland Ecosystems (through the Biodiversity focal area) and the Africa Land and Water Management Initiative (UNEP 2003a).

During OPS3 country visits and regional NGO and focal point workshops held in Burkina Faso, Kenya, Mauritius, South Africa, and Tanzania, the issue of land degradation was a particularly common theme raised by stakeholders. Although land degradation, desertification, and poverty have compounded to create great challenges for African countries, stakeholders in the region have said that progress is being made vis-à-vis the implementation of the UNCCD, in large part because of GEF activities.

3.6 POPs (TORs 1C and 1E)

This section discusses whether projects developed under the POPs focal area reflect global priorities. Because the Stockholm Convention on Persistent Organic Pollutants has been agreed upon by the international community, the priorities outlined in the convention document are recognized as global priorities. The convention addresses several priorities for action to eliminate POPs in an effort to protect human health and the environment.

That said, it should be noted that at the time of this writing, the GEF has not received any official guidance from the convention because the first COP did not take place until May 2005. However, there has been ongoing dialogue leading to diplomatic resolutions (including deliberations at the Seventh Meeting of the Intergovernmental Negotiating Committee on POPs) that endorse GEF priorities and, for example, support the GEF's continuing emphasis on National Implementation Plans (NIPs).

3.6.1 Scientific and Historical Context: POPs

By definition, all POPs are organo-chlorine compounds with extensive longevity in the environment. As noted by Eckley, N. 2001. "Traveling Toxics: The Science, Policy, and Management of Persistent Organic Pollutants." *Environment* 43:7, 23-36, and cited by Adeola (2004), POPs are characterized by their persistence in the environment, with a tendency to bioaccumulate in the food chain, and their capacity for long-range, transboundary dispersion, posing a threat to human health and the environment globally. The 12 most dangerous POPs, all of which are addressed by the Stockholm Convention, are aldrin, chlordane, dichloro-diphenyl-trichlorethane (DDT), dieldrin, endrin, heptachlor, hexachloro-benzene, mirex, toxaphane, polychlorinated biphenyls (PCBs), dioxins, and furans.

After more than half a century of extensive production, use, and release, POPs are now ubiquitous in air, soil, and water throughout the world. The major sources of air pollution that contribute to the accumulation of POPs include the manufacture and use of certain pesticides, the production and use of certain toxic chemicals, and the unintentional formulation of certain by-products of incineration, combustion, metal production, and the burning of leaded fuels in vehicular transport (Ballschmitter, K., R. Hackenberg, W.M. Jarman and R. Looser. 2002. Manmade Chemicals Found in Remote Areas of the World: The Experimental Definition of POPs. *Environmental Science and Pollution Research* 9: 4, 274-288). There are hardly any biomes and species on Earth left untouched by these chemicals. A wealth of scientific evidence suggests that all living organisms presently carry chemicals in their bodies. For instance, POPs have been found in marine mammals at levels concentrated enough to classify their bodies as hazardous waste (Adeola 2004). As reported by Adeola in "Boon or Bane? The Environmental and Health Impacts of Persistent Organic Pollutants (POPs)," scientists have reported evidence of POPs contamination in our food, human blood, and breast milk. Some of the highest concentrations of these chemicals are found in otherwise pristine environments near the Arctic Circle and in apex predators including humans, killer whales, polar bears, and eagles. These chemicals pose reproductive and developmental hazards to affected species, as well as cancer and immune suppression risks (UNEP 2005).

Although POPs have been or are being used in almost every country in the world, there is a paucity of reliable data regarding the use and disposal of POPs, which has made it "impossible to accurately determine the quantities still in use, where they are used, the specific crops to which the pesticidal substances are being applied, and the direction and initiatives underway to eliminate these substances throughout the world." [Ritter, L., K.R. Solomon, J. Forget, M. Stemeroff and C.O'Leary. 1995. An Assessment Report on: DDT-Aldrin-Dieldrin-Endrin-Chlordane-Heptachlor-Hexachlorobenzene-Mirex-Toxaphene-Polychlorinated Biphenyls-Dioxins and Furans. Prepared for the International Programme on Chemical Safety (IPCS) within the framework of the Inter-Organization Programme for the Sound Management of Chemicals (IOMC)] Where data do exist, they are plagued with a variety of limitations making it difficult to develop

comprehensive and accurate use profiles. At the request of the POPs Intergovernmental Negotiating Committee, UNEP Chemicals has launched a POPs Global Monitoring Programme. The program is intended to form a basis for the evaluation of the effectiveness of the Stockholm Convention. What is known is that POPs continue to pose a threat to human health and the environment, and both the international scientific and governance communities have acknowledged this area as one of great concern.

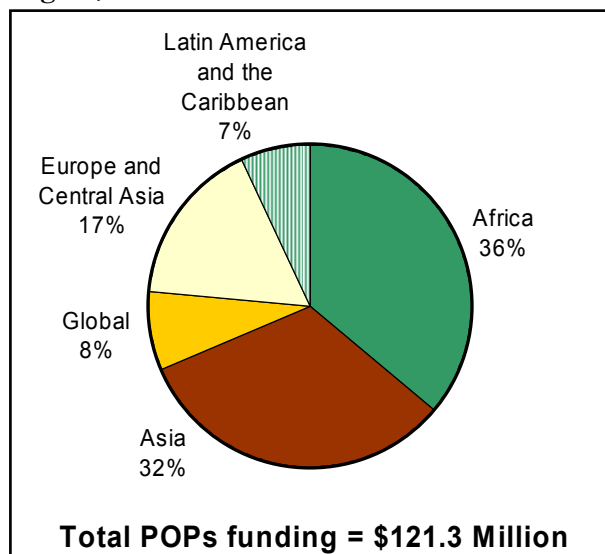
The realization that global efforts were required to address the threats that POPs pose to people and the environment led to the adoption of the Stockholm Convention on Persistent Organic Pollutants in May 2001 and its entry into force on May 17, 2004. The Stockholm Convention designated the GEF as the principle entity entrusted with the operations of the financial mechanism of the convention in the meantime. The convention's objective is to protect human health and the environment from POPs through the elimination or restriction of production and use of all intentionally produced POPs (industrial chemicals and pesticides), the continuous minimization of unintentionally produced POPs (dioxins and furans), and the cleanup of wastes and contaminated products (GEF/C.25/Inf.7). Although most of these substances have been banned and are being phased out in OECD countries, developing countries, in particular LDCs, have limited local capacity to adhere to these objectives (GEF/C.25/Inf.7).

Although the GEF began funding projects related to POPs in transboundary waters as part of the International Waters focal area as early as 1998, it was not until October 2002, after its designation as the Stockholm Convention financial mechanism, that the GEF established a POPs focal area. Under the POPs focal area, the GEF aims to help countries develop and implement activities related to POPs. The GEF's overall strategy is to reduce or eliminate releases of POPs to the environment through capacity building, targeted research, and implementation of projects on the ground. Based on dialogue with the Stockholm Convention, the GEF has adopted the NIP approach as the basis for determining POPs funding priorities.

3.6.2 POPs Portfolio Analysis

The GEF's POPs portfolio funding has totaled US\$121.3 million since POPs became a focal area in 2002. GEF-3 allocations to date are shown in exhibit 27; the phase, however, continues through 2006.

Exhibit 27. Total GEF Funding in POPs by Region, 1991–March 2005



Source: GEF Project Management Information System, accessed March 2005.

Excluding multicountry projects (which accounted for US\$35.2 million), the GEF has funded 111 POPs projects in 108 countries since 1991, totaling more than US\$86.1 million. The top three recipients (China, the Slovak Republic, and the Philippines) are also the only countries to have received multiple projects, and they represent 46 percent of POPs funding to individual countries.

3.6.3 Current Evidence on Meeting Global Priorities

The GEF has made good progress toward designing an intervention approach that addresses global priorities. Evidence for this comes from both the desk and field studies performed for OPS3. This evidence is seen at the level of GEF strategy and through information regarding the project design, approval, and implementation processes.

The framework for NIPs is a five-step process: (1) determination of coordinating mechanisms and organization of the process, (2) establishment of a POPs inventory and an assessment of national infrastructure and capacity, (3) setting of priorities and determination of objectives, (4) formulation of an NIP and specific Action Plans, and (5) endorsement of the NIP by stakeholders.

Meeting Global Priorities through GEF Strategy

The global priorities outlined by the Stockholm Convention are addressed by the GEF in their draft OP for Persistent Organic Pollutants (OP14), the POPs Business Plan (2003), and project documents.²² A representation of the level of focus for convention priorities compared to those established in GEF documentation is presented in exhibit 28.

Based on a review of priorities and the associated GEF strategies, OPS3 concludes that the GEF has addressed the global priorities established in the Stockholm Convention. All of the global priorities mentioned in the convention are addressed in the GEF strategy, with the exception of the potential need to identify and regulate the production of new chemicals with POPs characteristics. This priority has been investigated to some degree through the UNEP's GEF-funded "Regionally Based Assessment of Persistent Toxic Substances: Global Report" (2003c), but next steps and guidance to the GEF may need to be further articulated.

GEF priorities and strategies address the global priorities established in the Stockholm Convention, but some differences between the convention and the way that GEF programs are intended to implement the phaseout of POPs are noted. Specifically, compared to the Stockholm Convention, GEF strategic documents:

- Place a greater emphasis on the institutional steps, such as capacity building and institutional strengthening, that must be taken before a reduction in POPs can be successfully enforced.
- Stress the need for innovative and cost-effective technologies for the disposal of POPs.
- Emphasize the integration of POPs management practices that will benefit other focal areas, such as integrated pest management and noncombustion destruction technologies. Such a synergistic priority is not introduced by the convention and is, in essence, a refinement of global priorities.

This last issue—consideration of synergies across focal areas and other international conventions—is an important one for the GEF, because it can result in cost efficiencies and allow for additional global environmental benefits to be realized. For example, improvements of incineration practices undertaken for a GEF climate change project can reduce POPs emissions, or the elimination of PCB releases in a POPs project can have benefits for biodiversity by improving species' reproductive health.

Exhibit 28. Comparison of Stockholm Convention Priorities and POPs Business Plan and OP14 Priorities

Convention priorities	OP14 and POPs Business Plan priorities
Protect human health and the environment	
✓	✓
Impose production limits	
✓✓	✓
Develop reduction strategies	
✓	✓✓
Monitor releases	
✓	✓
Develop and implement Action Plans and implementation plans	
✓	✓✓
Identify new POPs	
✓	●
Raise awareness	
✓✓	✓✓
Achieve multi-focal area benefits	
●	✓✓
● not covered under scope of the convention, OP14, or Business Plan; ✓ priority addressed by documents; ✓✓ priority emphasized by documents.	

POPs Elimination in Africa

Through the POPs focal area, the GEF is, in part, seeking to destroy obsolete stockpiles of POPs. Stockpiles are especially problematic in Africa, with 47,000 obsolete pesticide stockpiles identified (STAP 2003b). The GEF has supported the development of the African Stockpile Program (ASP), and in 2002, the GEF approved US\$25 million for phase 1 of the program. According to the ASP, across Africa, at least 50,000 tons of obsolete pesticides have accumulated. The ASP is addressing this situation by seeking to clear all obsolete pesticide stocks from Africa and put in place measures to help prevent their recurrence. The ASP is designed as a 12- to 15-year program, consisting of four overlapping phases, each of which will last 4 to 5 years. Stakeholders consulted through the OPS3 field visits described this design as being reflective of the breadth of the problem on the continent and the range of activities necessary in each country to achieve cleanup, disposal, and prevention of future accumulation. In addition to advancing the GEF's work on POPs, the ASP is benefiting the GEF Biodiversity, International Waters, and Land Degradation focal areas.

Meeting Global Priorities through Project Approvals

The initial focus of the GEF has been to assist developing countries to prepare their NIPs in response to the Stockholm Convention. As of January 2005, 119 proposals for enabling activities for the development of NIPs had been approved. Five MSPs and 5 FSPs have also been approved; however, of these 10 projects, 4 are directed at supporting the NIP process. To date, these GEF projects have focused on certain aspects of the global priorities addressed under the Stockholm Convention, including:

- Assessing the enforcement capacity and adequacy of laws to meet the convention
- Preparing an inventory for the sources and emissions of POPs

- Identifying technologies for the elimination of POPs
- Exchanging information between countries and stakeholders and providing POPs education in regional and national workshops
- Formulation of NIP

Given that the large majority of projects approved thus far have been for NIPs, and hence are at the initial level of strategy development and implementation, OPS3 finds the focus on selected priorities under the Stockholm Convention appropriate. It is anticipated that other priorities identified under the Stockholm Convention will be addressed in future POPs projects as the strategy matures.

Meeting Global Priorities through Achieving Project Objectives

Because no terminal evaluations have been completed for projects under the POPs focal area, it is difficult to determine whether global priorities have been met through achieving project objectives. OPS3 stakeholder consultations have indicated, however, that OP14 does address global priorities under the Stockholm Convention, and that the NIPs process has helped develop capacity.

Examples of successful NIPs were shared with the OPS3 team. In particular, in the Czech Republic, project proponents have been able to bilaterally share the technical capacity they developed under their NIP with neighboring countries to assist them in developing their own POPs inventory. Additionally, proposals for follow-on activities identified under the NIP process have been prepared. For example, the Moldova has developed a project with the World Bank that is currently in the pipeline as a project preparation and development facility-B (PDF-B) based on activities developed in the NIP.

However, NGOs and country focal points in the OPS3 regional workshops expressed concern about the quality and consistency of the NIPs in all countries, noting that the quality of technical assistance among IAs and EAs varies widely in this area. This indicates that the comparative advantages of IAs and EAs are not being applied well in this focal area. Also, demonstration projects have begun under OP14 (the draft OP on POPs) without clear instruction from the convention on how to calculate incremental costs. As a result, difficulties have been encountered in terms of identifying and calculating incrementality for these projects; some country governments have argued that, because the removal of POPs invariably leads to global

environmental benefits, project costs should be covered almost completely by the GEF. Some guidance within OP14 addresses incrementality as applying to certain types of activities, including "...additional cost to alter or replace chemical products, technologies, and/or management practices related to pest and vector management, industrial chemicals, or unwanted by-products, to achieve global environment benefits" (GEF/C.22/Inf.4). Further guidance suggests that, "To a large extent, the increment of GEF funding for POPs reduction and elimination activities will be based operationally on cost sharing."

3.6.4 Challenges and Strategic Tradeoffs

Challenges that the GEF will face in the near term relate to responsiveness to the convention, baseline development and measurement of progress (that is, results), and developing synergies across focal areas.

Responsiveness

Through OP14 and the POPs Business Plan, the GEF has positioned itself to address global priorities of the Stockholm Convention and is in fact responding to those priorities through its POPs strategy. It is essential, however, that the GEF continue to monitor responsiveness and, in particular, to react to guidance from the first COP, which was held in May 2005 in Punta del Este, Uruguay. Based on such guidance, the GEF should work with the Stockholm Convention Secretariat to finalize OP14. Moreover, because the NIPs have been developed in parallel with convention guidelines on best available technologies and best environmental practices guidelines, it is important that this guidance feed into the implementation of the NIPs and the finalization of OP14.

Determining Baselines and a Clear Results Chain

Although GEF activities in the POPs focal area are just beginning, one thematic issue may underpin future progress: inadequate indicators for global environmental benefits. Specifically, baseline POPs concentrations in environmental media and human tissue generally are not available to measure results in terms of actual environmental improvement over time. Quantitative factors such as the number of POPs inventories developed, policy frameworks established, or the amount of POPs stockpiles contained or eliminated can be measured, but these may not be good indicators of reductions in environmental POPs loading in human populations or in environmental media. Unless more light can be shed on the connection between project inputs and resulting outputs, outcomes, and impacts through development of such baseline data, it may be difficult to raise the public and political profile of POPs issues globally. OPS3 identified one step that has already been taken in this regard—a STAP workshop on bio-indicators, which raised awareness on cost-effective strategies for monitoring POPs concentrations.

Synergies

GEF projects have already emphasized the integration of POPs management practices with other focal areas; however, much opportunity still exists for incorporating cross-focal area synergies into project design and implementation. For example, energy efficiency projects under the climate change portfolio may have synergies and opportunities for cost sharing with POPs projects relating to dioxin and furan reduction. Similarly, institutional synergies exist between the Stockholm Convention and other conventions dealing with the movement and management of chemicals and chemical wastes, particularly the Rotterdam and Basel Conventions. In particular, as more POPs projects are developed and implemented, there is a potential opportunity to maximize existing infrastructure and expertise developed under other global and regional chemicals conventions, as well as that developed in the broader context of integrated chemicals management at the country level.

3.6.5 Recommendations

OPS3 recommends the following:

- *To ensure that the GEF remains responsive to the Stockholm Convention, regular dialogue between the GEFSEC and the convention COP should be maintained.*

This dialogue should achieve the following three objectives. First, monitor the observed differences between the convention and the way that GEF programs intend to implement the phaseout of POPs. In particular, the GEFSEC should initiate a dialogue with the convention on how or whether additional chemicals with POPs characteristics should be addressed, as called for under the convention. Second, ensure that the GEFSEC works with the convention to identify which Stockholm Convention priorities are to be addressed in future GEF projects. OPS3 finds it appropriate that projects approved to date have not addressed all Stockholm Convention priorities because the majority of projects approved thus far have been for NIPs. However, continued dialogue between the COP and the GEFSEC can ensure that unaddressed priorities are incorporated in future projects, as appropriate. Finally, address clarification issues, such as providing guidance on how to calculate incremental costs associated with POPs activities.

- *The GEF should aim to incorporate emerging science on indicators of reductions in environmental POPs loading in human populations and environmental media into its projects.*

Baseline POPs concentration in the environment and in human populations is potentially a key element in the unequivocal measurement of global environmental benefits. Through involvement of the scientific community in discussions about how to cost-effectively develop this information, the GEFSEC and IAs can help to move this dialogue forward. To foster knowledge sharing, the STAP and IAs should stay up to date on the emerging science related to indicators of reductions in environmental POPs loading in human populations and environmental media. Incorporating this science into its projects would eventually allow the GEF to more clearly demonstrate the outcomes and impacts of POPs projects. The role of the STAP in moving this dialogue forward and leveraging input from the broader scientific community in a timely fashion should be investigated in consultation with the Stockholm Convention Secretariat and its relevant scientific bodies.

- *The GEFSEC and IAs should pursue synergies within and across the POPs focal area, where possible.*

The IAs should continue to explore whether reducing duplicative or competing initiatives for chemicals management in the development of policy frameworks, training, and information gathering across conventions is possible. In addition, to avoid wasting capacity and expertise developed under other conventions, the GEFSEC and IAs should seek dialogue with the conventions on how to leverage infrastructure and capacity in chemicals management from within other global chemicals management protocols, particularly the Rotterdam and Basel Conventions, as well as through regional initiatives. Similarly, to promote cross-focal area synergies between POPs and other focal areas, IAs should pursue opportunities to incorporate POPs projects under OP12 (Integrated Ecosystem Management).

3.7 Responsiveness of the GEF to Conventions (TOR 4C)

The OPs of each GEF focal area are aligned with the international convention to which it serves as a financial mechanism. Typically, the COP to each convention has nominated the GEF as the institutional structure to operate the financial mechanism under the convention. (The one exception is the International Waters focal area.) The GEF, in operating the financial mechanism under the convention, agrees to finance activities that conform to the guidance provided to it by the COP.

In all focal areas, other than International Waters, when a COP reaches a new decision concerning the GEF, the members of the respective GEF Interagency Task Force develop proposals to the GEF Council on how to interpret and implement the new guidance. At each GEF Council meeting, the GEFSEC presents a document entitled “Relations with Conventions” (GEF/C.8/9), in which new COP (and other convention) guidance, interpretation, and overall implementation strategies are presented for discussion and recommendation. Once the GEF Council agrees on the final interpretation of the COP guidance, the GEFSEC, in partnership with the IAs, develops ways to operationalize the guidance. The IAs and EAs then work with countries to implement the GEF Council–approved guidance in accordance with GEF principles and procedures. This standard process for responding to convention objectives has proved to be generally effective across the focal areas.

This review of the responsiveness of each of the GEF focal areas to the objectives of the convention it serves utilized the reviews of the effectiveness of the GEF produced by the conventions, the documents produced by the GEFSEC as a part of the response process, and input from stakeholder consultations. Responsiveness of the GEF to conventions is discussed here for the Biodiversity, Climate Change, and Ozone focal areas; responsiveness is addressed in sections 3.4.5 and 3.6 for the Land Degradation and POPs focal areas, respectively.

3.7.1 Biodiversity (CBD)

The GEF’s objectives in biological diversity derive from the broad objectives of the CBD: “the conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of benefits arising out of the utilization of genetic resources, including by appropriate access to genetic resources...” (CBD article 1). To respond to these objectives, the GEF has developed an Operational Strategy in biodiversity, as well as OPs and, more recently, Strategic Priorities. The alignment of these programs and priorities is addressed below.

In general, OPS3 finds, as did OPS2, the “Second Review of the Financial Mechanism for the CBD” (hereafter Second CBD Review of the GEF [UNEP/CBD/COP/6/INF/4]), and BPS2004, that the GEF has been generally responsive to COP guidance. As of March 2005, the GEF has provided funding for 300 enabling activities in the Biodiversity focal area, with a total allocation of US\$122.6 million. In particular, as BPS2004 points out, the GEF has been particularly responsive to guidance on forest ecosystems and capacity building in biosafety.

The GEF faces challenges, however, in addressing COP guidance. BPS2004 found that the GEF remains fully responsive in the areas of “implementing effective incentive measures, implementing national plans and strategies, developing indicators, developing and applying baselines to monitor changes in the status of biodiversity over time, and establishing mechanisms for promoting the sustainability of project outcomes.” OPS3 also finds that the GEF has not adequately addressed the convention priority on access and benefit sharing.

With respect to the more general challenges that the GEF must address, as OPS2 pointed out, initial guidance provided to the GEF was “so broad and general that it was difficult to respond to it in operational terms.” BPS2004 found, however, that subsequent guidance has become more focused and detailed; in particular, “More recent guidance from the COP addresses objectives to be pursued and provides details on the activities to be undertaken.” As a result, BPS2004 found, and OPS3 concurs, that the GEF response to COP guidance has become more targeted. That said, the general lack of prioritization of guidance from the COP remains a challenge, according to BPS2004. BPS2004 also identified two additional challenges: “forging a participatory approach among relevant parties to enable an agreement on the clarification and prioritization of COP guidance” and “the apparent expectation that all COP guidance will be supported by the GEF, at the same level and in perpetuity.” To address these challenges, BPS2004 concluded that “there is a need for more concerted efforts to improve the dissemination of information on how the GEF responds to guidance. The GEF-sponsored Country Dialogue Workshops (CDWs) could provide a good venue to clarify GEF processes and

strengthen the outreach process.” OPS3 supports this recommendation, noting that the revised National Dialogue Initiative (NDI), which replaces the CDWs, also provides for follow-up, which may present an opportunity for the GEF entities to assess whether guidance has been incorporated at the country level.

The responsiveness of the GEF to specific areas of COP guidance is addressed in the next section.

Current Evidence

Several areas of guidance were issued to the GEF at COP-7 in February 2004; for several areas of guidance, OPS3 defers to, and concurs with, the findings of BPS2004. These include access to and transfer of technology, education and public awareness, the Global Taxonomy Initiative, invasive alien species, marine and coastal biological diversity, national planning and implementation, and the Millennium Development Goals. Discussion of GEF’s responsiveness to several other areas of guidance has been presented in section 3.1.3 and will not be repeated here. These include COP-7 guidance on access and benefit sharing as they relate to genetic resources; identification, M&E, and indicators; sustainable use; and protected areas. For two of the guidance areas that were highlighted during the OPS3 field study—national reporting and biosafety issues—OPS3 addresses the GEF’s responsiveness to guidance issued by the COPs, and particularly COP-7, in more detail below.

In exhibit 29, OPS3 presents some updates to BPS2004 and also defers to the findings of BPS2004 on the responsiveness of the GEF to guidance from COP-1 through COP-6. No prioritization was provided from the CBD among these decisions.

Also, the recommendations made by the Second CBD Review of the GEF were in line with those made by the Third Replenishment and OPS2; for OPS3’s analysis of progress made on these recommendations, please see annex E. In general, OPS3 concludes that these recommendations have been addressed and incorporated by the GEF, although to varying degrees.

In terms of a general response to COP-7, the GEFSEC, in the document “Institutional Relations” (GEF/C.23/6), submitted to GEF Council in November 2004, argued that most of the guidance could be incorporated through the GEF’s various operational tools (including “full and medium-sized projects, enabling activities, the Small Grant Programme, the strategic approach of capacity building, including national capacity self assessments, and country relations activities”). The secretariat also noted that the GEF and its IAs would “continue to support country driven activities to address these issues and will fine-tune and further emphasize project activities so as to encompass the guidance.”

National Reporting

OPS2 concluded that the GEF has followed “guidance from the biodiversity convention to implement support for enabling activities that assist countries in developing their biodiversity country studies, national reports, and National Biodiversity Strategies and Action Plans (NBSAPs).” OPS2 found, however, that “there should be support for countries to mainstream the national reports/action plans to the conventions.”

COP-6 decided that the GEF “shall provide financial resources...[i]n a timely manner, to eligible Parties for the preparation of national reports.”

COP-7 requested that the GEF “explore ways to expedite and simplify its procedures for allocating funds to eligible countries to prepare their national report to fulfill their reporting obligations under the Convention.” At the November 2004 GEF Council meeting, the GEFSEC noted that the format for the third national report is different from that of the second report. In the third report, countries are requested to provide factual data based on indicators and other substantive information, instead of the process-focused approach used by the second report. Also, countries are requested to provide targeted data to assess the progress

Exhibit 29. BPS2004 and OPS3 Findings on the Responsiveness of the GEF to the CBD (COP-1–COP-6)

COP topic of guidance	Responsiveness	Comments
Access to and transfer of technology	✓	BPS2004 found that the Action Plan addresses this guidance through the development of a strategy to better engage the private sector.
Agricultural biological diversity	✓	BPS2004 found that the new OP on agrobiodiversity was in response to this guidance. OPS3 finds that as of March 2005, 11 projects have been approved in OP13 for US\$45.6 million.
Article 8(j) and related provisions	✓	BPS2004 found that the SGP has funded more than 100 projects with indigenous peoples.
Clearinghouse mechanism and scientific and technical cooperation	●	BPS2004 found that although the GEF approved a project for a regional clearinghouse in 2004, there is no indication whether the mechanism is becoming more effective and sustainable.
Dry and subhumid lands' biological diversity	✓	BPS2004 found that funding in this OP increased by more than four times from the pilot phase to the end of GEF-1. OPS3 finds that by March 2005, the GEF had approved a total of US\$591.2 million in this area.
Ecosystem approach	✓	BPS2004 found that a new OP on integrated ecosystem management was approved. OPS3 finds that by March 2005, the GEF had approved 39 projects for a total value of US\$136.9 million.
Education and public awareness	✓	BPS2004 found that almost all GEF projects have education and public awareness as essential components.
Endemic species	●	BPS2004 did not identify any action or strategy in this area.
Forest biological diversity	✓	OPS3 finds that as of March 2005, 143 projects have been approved in the forest OP for US\$668.9 million.
Global strategy for plant conservation	●	BPS2004 did not identify any action or strategy in this area.
Global Taxonomy Initiative	✓	BPS2004 identified a number of projects that have supported this objective.
Incentive measures	●	BPS2004 found that several projects with incentive measure components were approved after COP-6, but that it is not clear whether these measures will be more effective or easier to implement than before the second CBD review.
Inland water ecosystems	✓	BPS2004 found that as of 2002, 40% of projects in OP2 and almost 50% in OP12 addressed this area.
Invasive alien species	✓	The second CBD review found that by 1999, the GEF had allocated US\$34.5 million to seven projects for this area.
Marine and coastal biological diversity	✓	BPS2004 found that an approach providing guidance to IAs to stimulate projects on coral conservation and management and biodiversity were developed.
Mountain ecosystems	✓	OPS3 finds that as of March 2005, 33 projects have been approved in the mountain OP for US\$152.9 million.
National planning and implementation	●	BPS2004 found that only five projects to support NBSAPs were approved between COP-6 and COP-7, and there have been substantial delays in the preparation of these reports.
Targeted research and related activities	✓	BPS2004 found that several GEF projects have incorporated research components.
Millennium Development Goals	●	BPS2004 did not identify any action or strategy in this area.

● indicates that the GEF has not been adequately responsive; ✓ indicates that the GEF has been adequately responsive.

toward achievement of the CBD 2010 target. Countries are also requested to elaborate on how they are implementing specific articles and related COP decisions, the outcomes and impacts of actions taken, and what contributions the action taken is making toward the achievement of the goals of the Strategic Plan of the convention. Three countries so far have requested GEF support to assist in the preparation of their third national reports (GEF/C.24/7).

Although the GEF has been responsive to the CBD by assisting countries in preparing their national reports, as OPS2 also noted, stakeholders have reported to the OPS3 team that the reports to the CBD are somewhat isolated in some countries and thus are neither mainstreamed nor influential. In this way, the GEF has not been entirely responsive to article 6B of the convention, which has as an objective to “integrate, as far as possible and as appropriate, the conservation and sustainable use of biological diversity into relevant sectoral or cross-sectoral plans, programmes and policies.” That said, some countries are working hard to mainstream biodiversity. Mainstreaming of biodiversity is discussed at more length in section 3.1.3.

Biosafety Issues

At COP-6, the GEF was requested to provide financial resources “for national capacity-building in biosafety, in particular for enabling effective participation in the Biosafety Clearing-House and in the implementation of the Action Plan for Building Capacities for the Effective Implementation of the Cartagena Protocol on Biosafety proposed by the Intergovernmental Committee on Cartagena Protocol at its second meeting, and for other needs identified in the recommendations of the Intergovernmental Committee at its second meeting for assisting developing countries to prepare for the entry into force of the Protocol.”

In response to this guidance, in November 2003, the UNEP proposed an additional project aimed at building capacity for the effective participation of parties in the Biosafety Clearing-House as an add-on project to the current UNEP-GEF National Biosafety Framework (NBF) project; the project proposed to assist 50 countries that had ratified or acceded to the Cartagena Protocol by the time of the first COP serving as the meeting of the parties to the protocol (COP-MOP) and were not already beneficiaries of similar assistance through a GEF project to participate in the Biosafety Clearing-House. However, the GEF Council did not approve this project. At the same meeting, the council approved a further request for additional funds for 20 countries to prepare their NBFs.

Additionally, in May 2003, the GEF Council approved capacity building for implementation of the Cartagena Protocol as a Strategic Priority of the GEF Biodiversity Program. In November 2003, the fiscal 2005/07 Business Plan substantially increased resources for this Strategic Priority. US\$5 million was spent in fiscal 2003, and the GEF Council provisionally approved US\$75 million for the Strategic Priority over fiscal 2004/06. US\$35 million was also provisionally approved for fiscal 2007.

At COP-7, eligibility criteria for funding by the GEF were determined, and the COP called for support from the GEF on capacity-building activities and an extension of its existing support for demonstration projects on the implementation of NBFs.

At its November 2004 meeting, two more projects were proposed by the UNEP, though neither was approved by the GEF Council (because no additional projects will be approved until an evaluation of the NBF is completed). One aimed to help 89 additional countries build and strengthen their national capacity to access and use the Biosafety Clearing-House, and the other proposed to assist the last 10 eligible countries to prepare their NBFs in preparation for the entry into force of the Cartagena Protocol, which would bring the total number of countries financed to 130.

Additionally, the GEFSEC reported at the November 2004 meeting that: “[l]essons learned during the demonstration phase and the National Biosafety Framework development project will be incorporated into project development. The Secretariat is planning to undertake an assessment of the effectiveness and

efficiency of various approaches that have previously been adopted to provide additional support to backstop the delivery of enabling activities in biosafety and other areas of GEF's work, such as climate change and land degradation, including umbrella projects and technical support programs. Once this assessment is complete, a proposal will be made, if deemed necessary, to the Council on the most efficient and effective means to provide any necessary additional capacity building support to countries to ensure the successful implementation of national biosafety frameworks" (GEF/C.24/7). Although this is a commendable plan of action, stakeholders commented to the OPS3 team that because so many NBFs were funded in a short time (120 projects in four years), there has been inadequate time for identifying and incorporating lessons learned, which may compromise the quality of the NBFs.

In general, however, OPS3 finds that the GEF has been particularly responsive to the guidance of the COP in terms of providing significant funding for capacity building for the Cartagena Protocol, and it aims to be responsive with respect to incorporating lessons learned from the NBF project into future projects.

3.7.2 Climate Change (UNFCCC)

The ultimate objective of the UNFCCC is to stabilize GHG concentrations at levels preventing dangerous climate change, while allowing ecosystems to adapt, ensuring food security and allowing sustainable economic development (UNFCCC article 2). As described in the introduction to this report, there are four OPs within the Climate Change focal area that represent programmatic responses to the COP.

At the first COP, the parties decided to adopt a mixed set of priorities for the GEF Climate Change focal area, including support for long-term projects, STRMs, and enabling activities (Decision 12/CP.1, based on GEF FCCC/CP/1995/7/Add.1 1995b). Subsequently, the largest share of GEF resources has been assigned to long-term mitigation projects. A share of funds has also been committed to the STRMs. These include projects that "maximize short-term cost-effectiveness, by...sequestering or abating the emissions of carbon dioxide that have the lowest unit incremental costs" (FCCC/CP/95/4). Another limited portion of funds is for GEF-supported enabling activities and forms a key part of UNFCCC adherence by the parties that are required to report on GHG emissions and climate change activities in the form of national communications. Therefore GEF's funding of projects is in direct response to the priorities outlined by the COP.

In general, OPS3 finds, as did OPS2, the 2002 COP-8 review of the GEF, and the CCPS2004, that the GEF has effectively performed its role as financial mechanism of the UNFCCC and has been responsive to its mandate as defined by the convention and guidance and priorities as given by the COPs. As the CCPS2004 points out, "the COP has been closely involved in major strategic decisions regarding the GEF, including the choice of OPs and the recent call for adaptation pilots and capacity building support." Indeed, stakeholders from both the UNFCCC and the GEFSEC noted to the OPS3 team that communication and coordination between the two entities have improved over the past few years. In particular, more interaction was observed; for instance, now joint retreats are held by the two bodies.

This section will specifically discuss the responsiveness of the GEF to UNFCCC since OPS2 in three priority areas:

- National Communications
- Implementation of special trust funds
- Other COP priorities, such as adaptation

National Communications

As CCPS2004 reported, the GEF has supported 3 of 40 national communications for Annex I countries and 105 of 115 national communications from NAI countries (23 have yet to submit their first National

Communication, and the 10 remaining countries were mainly small island states or newly industrializing countries). UNFCCC representatives reported to OPS3 that three countries have also submitted their second National Communications, and about 65 countries have reported that they have started the process of preparation of the second National Communication. Thus, the GEF has adequately responded to the COP requirement that the GEF support National Communications.

Several weaknesses, however, have been identified with respect to the first round of National Communications. The 2000 “GEF Review of Climate Change Enabling Activities” (GEFM&E 2000c) found that preparation of the operational guidelines for the first National Communications did not involve consultations with the countries and recommended that the GEF establish a better consultative process for formulation of the procedures for subsequent communications. In response, the GEFSEC, in consultation with the IAs and the UNFCCC Secretariat, held a consultation of experts in September 2003 to discuss the proposed procedures (GEF/C.23/6). To facilitate the preparation of the second round of National Communications, the GEF Council authorized the expedited financing of projects for the preparation of National Communications using the COP-8 guidelines, on the basis of operational procedures to be prepared by the GEFSEC in consultation with the IAs and the UNFCCC Secretariat in May 2003. Please see section 3.2 for OPS3’s assessment of the National Communications and recommendations for the second round.

Implementation of Special Funds

Decisions 7/CP.7 and 10/CP.7 from COP-7 FCCC/CP/2001/13/Add.1. “Report of the Conference of the Parties on its Seventh Session Held at Marrakesh from 29 October to 10 November 2001.” January 2002., established an Adaptation Fund under the protocol and two funds under the convention, the LDC Fund and the Special Climate Change Fund (SCCF). All three funds are to be administered by the GEF, where the special funds remain distinct from the existing GEF Trust Fund used for climate change activities. Responsiveness of the GEF as it relates to the LDC Fund and Special Climate Change Fund are addressed in this section, whereas the issue of adaptation is discussed in the “Adaptation” section below.

LDC Fund

Decision 27/CP.7 (FCCC/CP/2001/13/Add.4. “Report of the Conference of the Parties on its Seventh Session Held at Marrakesh from 29 October to 10 November 2001.” January 2002) of COP-7 requested that the LDC Fund “as a first step, [provide] funding to meet the agreed full cost of preparing the National Adaptation Programme of Action (NAPA), given that the preparation of NAPAs will help to build capacity for the preparation of national communications under Article 12, paragraph 1 of the Convention.” The GEF responded quickly to this guidance in mobilizing the LDC Fund, and, as of March 2005, projects for the preparation of NAPAs had been approved in 43 of the 48 LDC parties to the UNFCCC, as well as two global support projects, for a funding total of US\$9.4 million. (Of the five countries that are currently not receiving financing for the preparation of NAPAs, the UNDP is working with one country and the UNEP with four countries to prepare their project proposals [GEF/C.24/Inf.8/Rev.1]). The GEFSEC also reported at the November 2004 GEF Council meeting that most approved projects anticipated completion of the NAPA within 12 to 18 months, and that the first NAPAs were expected to be completed in the first three months of 2005. Most countries, however, expect to finalize their NAPAs in the second half of 2005.

At COP-9, the COP requested the GEF to “support the implementation of national adaptation programmes of action as soon as possible after their completion” and to take into account the following elements when developing operational guidelines for funding the implementation of NAPAs:

- Ensuring a country-driven approach, in line with national priorities, which ensures cost-effectiveness and complementarity with other funding sources;
- Equitable access by least developed country Parties to funding for the implementation of national adaptation programs of action;

- Criteria for supporting activities on an agreed full-cost basis, taking account of the level of funds available;
- Guidelines for expedited support;
- Urgency and immediacy of adapting to the adverse effects of climate change; and
- Prioritization of activities. (FCCC/CP/2003/6/Add.1. “Report of the Conference of the Parties on its Ninth Session, Held in Milan 1 to 12 December 2003.” April 2004.)

To address these elements, the GEFSEC prepared a proposal on the process to be followed in funding the implementation of NAPAs for the November 2004 Council meeting, “Elements to be Taken into Consideration in Implementing NAPAs under the LDC Fund” (GEF/C.24/Inf.7).

Special Climate Change Fund

At COP-9 in 2003, the parties agreed upon guidance for the operation of the SCCF in Decision 5/CP.9—specifically, that adaptation activities to address the adverse impacts of climate change are to have top priority for funding and that technology transfer and its associated capacity-building activities are also to be an essential area for funding. The decision invited the GEF to make the necessary arrangements to mobilize resources to make the fund operational without delay.

In response to this guidance, the GEFSEC, in consultation with the IAs and UNFCCC Secretariat, prepared a programming paper (GEF/C.24/12: Programming to Implement the Guidance for the Special Climate Change Fund Adopted by the Conference of the Parties to the United Nations Framework Convention on Climate Change at its Ninth Session) describing how the SCCF will fund activities in the program areas of adaptation and technology transfer. This document was also reviewed by potential donors at two meetings during 2004. The GEF Council endorsed this document at the November 2004 meeting.

Adaptation

The original guidance given to the GEF, at COP-1 in Berlin, provided for a staged approach to adaptation (Decision 11/CP.1, FCCC/CP/1995/7/Add.1 1995a). In this decision, the GEF was directed to consider criteria for supporting planning and studies of climate change impacts as a first stage. The second stage would explore measures to prepare for adaptation. The third and most advanced stage was concerned with measures to facilitate adaptation. The GEF has implemented this staged approach for NAI National Communications activities. CCPS2004 noted that assessment and planning activities have been funded by the GEF, mostly through National Communications, though the challenge to define concrete implementation activities remains. Significant progress has been made, notably in prioritizing adaptation activities through a participatory process of the NAPA by LDCs.

At COP-7, the parties agreed that there was a need for additional funding beyond contributions that are allocated to the Climate Change focal area of the GEF and to multilateral and bilateral funding for the implementation of the convention. The GEF was also requested by COP-7 to provide support for establishing pilot or demonstration projects to show how adaptation planning and assessment can be practically translated into projects that will provide real benefits and may be integrated into national policy and sustainable development planning. COP-7 established an Adaptation Fund under the protocol, and the SCCF includes adaptation as one of its needs.

Adaptation was prioritized in subsequent COPs. The parties acknowledged at COP-8 that increasing importance of adaptation measures was an objective of the convention. In May 2003, the GEFSEC proposed a strategy to support adaptation based on three components: (1) support for adaptation activities within National Communications, (2) support for projects that link adaptation strategies with other measures that achieve GEF-supported global benefits, and (3) greater consideration to impacts of climate change as a long-

term risk for the sustainability of GEF projects. A Strategic Priority piloting an operational approach to adaptation was approved by the GEF Council in November 2003, along with an associated US\$50 million in funding. At COP-9, guidance was issued that adaptation activities to address the adverse impacts of climate change shall have top priority for funding. In all, there are four different sources of funding for adaptation managed by the GEF, each subject to different criteria:

- 1) GEF Trust Fund—funding will be based on incremental cost guidance.
- 2) LDC Fund—funding is based on a sliding scale.
- 3) SCCF—funding is based on a sliding scale.
- 4) Adaptation Fund—there are currently no clear criteria for how this fund will be operationalized.

The GEF still has much to sort out, however, in terms of its funding of adaptation activities—for instance, how it will mainstream adaptation into the other focal areas of the GEF portfolio. The GEF's adaptation activities are addressed further in section 3.2, where OPS3 suggests that the GEF will need to develop plans for more strategic response to adaptation after the pilot program.

3.7.3 Ozone Depletion (Montreal Protocol)

The Montreal Protocol on Substances that Deplete the Ozone Layer was established to take appropriate measures to protect human health and the environment against effects of human activities that are likely to modify the ozone layer. The main objective of the protocol is stated in the sixth paragraph of its preamble: the parties to this protocol are “[d]etermined to protect the ozone layer by taking precautionary measures to control equitably total global emissions of substances that deplete it, with the ultimate objective of their elimination on the basis of developments in scientific knowledge, taking into account technical and economic considerations and bearing in mind the developmental needs of developing countries.”

As discussed in section 3.4, almost all CEITs for which the GEF has provided assistance are now in compliance with the protocol. As such, the GEF has essentially achieved the main objective of the Montreal Protocol—to eliminate the consumption (production, exports, and imports) and emissions of ODSs.

Regarding strategic responsiveness, OPS2 found that the GEF was both responsive and supportive of the Montreal Protocol. Since OPS2, only one specific request has been made of the GEF by the MOP. In Decision XV/49, the 15th MOP requested “the Council of the Global Environment Facility to consider, on an exceptional basis, project proposals from South Africa on phasing out controlled substances in Annex E for funding as per the conditions and eligibility criteria applicable to all countries eligible for such assistance under the Facility.” (UNEP/OzL.Pro.15/9. “Report of the Fifteenth Meeting of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer.” November 2003.)

The GEFSEC requested more information from the Ozone Secretariat, which it then shared with the GEF Council at its May 2004 meeting. In response, the Council agreed to provide project preparation financing to South Africa to develop a project proposal for phasing out methyl bromide. Thus, considering that the GEF Council agreed to provide funding for South Africa, as requested by the MOP, the GEF can be regarded as having been responsive to the objectives and guidance of the Montreal Protocol.

Notes, Section II

1. Multicountry projects include more than one country, whereas regional projects include more than one region and global projects include more than two regions.
2. Although the total number of species is unknown, and the data on threatened species are incomplete, these data can serve as a proxy for “the extent to which biodiversity is at risk from human activities and pressures on the environment” (UNEP 2005).
3. The three objectives of the CBD are the conservation of biological diversity, the sustainable use of its components, and the fair and equitable sharing of benefits arising from the use of genetic resources.
4. Findings cited from BPS2004 are based on the project cohort selected by the study, which included 141 projects.
5. For more information, see CBD Secretariat (2004).
6. For more information on the twelve Malawi Principles or characteristics of the ecosystem approach to biodiversity management, see FAO (2003).
7. GEF/ME/C.25/5. 2005. “Review of the GEF Operational Program 12: Integrated Ecosystem Management.” May 2005
8. This estimate of 409 million MT of CO₂ equivalent GHG reduction was arrived at using a conservative bottom-up approach. If a less conservative top-down approach is used, the projects are estimated to have indirect GHG emission reductions of up to 1.86 billion MT of CO₂ equivalent.
9. Of these 43 closed projects, only 27 projects had CO₂ avoidance estimates.
10. The Operational Strategy states, “The overall strategic thrust of GEF-financed climate change activities is to support sustainable measures that minimize climate change damage by reducing the risk, or the adverse effects, of climate change. The GEF will finance agreed and eligible enabling, mitigation, and *adaptation* activities in eligible recipient countries [emphasis added].”
11. The CDM allows investment by Annex I parties in projects in developing countries under article 12. The CDM also includes a second objective of assisting developing countries in achieving sustainable development, because the Kyoto Protocol was also structured to assist in generating funding to address adaptation needs. Parties to the protocol have agreed, in article 12.8, “to ensure that a share of the proceeds from certified [CDM] project activities is used to...assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.”
12. Annex A and B substances include CFCs, halons, carbon tetrachloride, and methyl chloroform.
13. ODP MT refers to ozone-depleting potential weighted metric tons.
14. Armenia was reclassified as an Article 5 country after the approval of its GEF project and thus is not included in Exhibit 21.
15. Appraised ODS phaseout is the amount of ODS phaseout that each country’s respective GEF project is expected to phase out.
16. This estimate is approximate because the basis for assessing appraised phaseout may vary among subprojects.
17. In some CEITs, residual consumption exists under essential use exemptions or in laboratory or analytical uses.
18. Despite the importance of desertification, only three exploratory assessments of the worldwide extent of land degradation are available. However, there are substantive limitations and problems with each of the

underlying datasets for these assessments, and the need for a better assessment is underscored by the “Millennium Ecosystem Assessment.”

19. The land degradation portfolio is growing rapidly, with more projects having been approved since March. The bulk of the projects in the portfolio, however, are still in the pipeline.
20. A 2004 document, “Status of Land Degradation as a Cross-Cutting Issue under GEF-3” (GEF/C.24/Inf.6) identified 158 projects in the GEF-3 portfolio in the Biodiversity, International Waters, Climate Change, and POPs focal areas—as well as the multi-focal area program, Integrated Ecosystem Management—that have linkages to land degradation.
21. The Strategic Priorities are capacity building and implementation of innovative and indigenous SLM practices.
22. It should be noted, however, that the Stockholm Convention entered into force after the Strategic Business Plan and OP14 were drafted; as such, the priorities addressed in these GEF documents were derived directly from the convention text and not from specific guidance regarding the financial mechanism.

SECTION III: SUSTAINABILITY AND THE CATALYTIC EFFECTS OF THE GEF

This section investigates the extent to which global environmental benefits that have been achieved through GEF activities have been sustained over time. In addition, the section evaluates the degree to which the GEF activities have had a catalytic impact, that is, created action and response that is greater than what can be accomplished by GEF resources alone. Examples include leveraging additional resources, replicating project successes, mainstreaming environmental priorities into the national development agendas of the host countries, and fostering international cooperation on environmental issues.

This section also considers the key factors that have contributed to the achievement and sustainability of global environmental benefits and effective catalytic action. Lessons learned from successes in sustainability and catalytic effects—especially those lessons dealing with elements of project design and implementation—should be transferable to other GEF projects in order to increase the overall amount of global environmental benefit created by GEF action.

The exploration of sustainability and catalytic action takes place at a level beyond the focus on specific projects that dominates the first part of this review. In fact, by definition, sustainability concerns the period beyond the end of the project as usually conceived. The conditions that contribute to sustainability are not necessarily tied to the specifics of project implementation, but are often found in circumstances beyond the edge of the specific project—in the social awareness, economic conditions, and political intent of the locality, country, or region in which the project is taking place. Similarly, success in producing catalytic action—for instance, in replicating the project in other areas or in mainstreaming environmental concerns—also takes place at a level outside the confines of the project.

The analysis in this section, therefore, cuts across and goes beyond the project-level analysis found in section II. Project-level success is an important precondition, of course, to sustainability and catalytic action. However, these cross-cutting issues require analysis at a broader, country level, including the role and impact of the GEF within the wider context of society and its environmental fabric.

Furthermore, the interactions between these issues are complex, interdependent, and mutually reinforcing. For example, catalysis contributes to sustainability, as when additional resources are leveraged to allow activities to continue once GEF funding comes to an end or when environmental benefits are extended to larger areas through replication, increasing the chances not only for sustaining but also amplifying those benefits over time. Similarly, the attention received by sustainable project success—the role of the project in the local economy, visits by dignitaries to the project, advertisement of project accomplishments, and so on—create environmental benefits beyond the scale of the project itself.

Therefore, the analysis in this section, while using specific projects as examples, looks beyond those projects both temporally and conceptually, to the environmental conditions in the wider society that contribute to the sustained and amplified generation of global environmental benefits.

The remainder of this chapter is structured as follows: Chapter 4 discusses the factors for achieving and sustaining global environmental benefits, as well as the extent to which sustainability has been achieved through GEF projects. Chapter 5 discusses the extent and factors of catalytic impacts. Each section provides historical context, current evidence, strategic tensions, and recommendations.

4. Achieving and Sustaining Global Environmental Benefits

4.1 Achieving Global Environmental Benefits

“Global environmental benefits” are defined in a 1996 GEF policy paper as those benefits obtained “whenever a global environmental objective is met,” which includes the achievement of any of the conventions’ environmental objectives (GEF/C.7/Inf.5). The policy paper further explains that a “global environmental benefit” is distinct from the achievement of development or local environmental benefits. In particular, the GEF defines global environmental benefits for the six focal areas as follows:

- *Biodiversity*: Stemming the loss of global biodiversity through the expansion and strengthening of protected areas in areas of high species richness and global significance (with a particular focus on four critical ecosystem types: arid and semi-arid; coastal, marine, and freshwater; forest; and mountain); and the conservation and sustainable use of components of biodiversity within broader landscapes by means of mainstreaming biodiversity concerns into land and water management (GEF 1996; World Bank 2002).
- *Climate Change*: Minimizing climate change damage through mitigation measures that reduce GHG emissions by means of the adoption of low- and zero-GHG-emitting technologies (for example, in the energy and transportation sectors) or that protect or enhance the removal of atmospheric GHG by sinks, thus reducing the risk of climate change, and adaptation activities that minimize the adverse effects of climate change (GEF 1996; World Bank 2002).
- *International Waters*: Safeguarding transboundary water resources through protection against pollution from land-based sources; physical habitat degradation from poor management practices, such as land conversion and dredging; introduction of non-native species; and excessive exploitation of living and nonliving resources (GEF 1996; World Bank 2002).
- *Ozone Layer Depletion*: Protecting human health and the environment against adverse effects resulting, or likely to result, from ozone layer depletion and the increase in ultraviolet-B radiation reaching the ground through the phase out of the production and consumption of ODSs (GEF 1996; World Bank 2002).
- *POPs*: Protecting against the toxicological effects resulting from the bioaccumulation of POPs through the phase out and elimination of the production and use of POPs by means of the switch to new sustainable alternative chemicals, technologies, and practices and the safe and effective management and disposal of existing POPs (GEF/C.22/Inf.4).
- *Land Degradation*: Preserving or restoring land ecosystem integrity and productivity through addressing the causes of land degradation (with a particular focus on desertification and deforestation), where these causes include unsustainable agricultural practices, overgrazing, and the unsustainable harvesting and use of timber and nontimber forest resources (GEF 2003. “Operational Program on Sustainable Land Management (OP15)” December 2003).

The achievement of global environmental benefits can be measured at the outcome level (short- or medium-term effects) or the impact level (long-term effects). In projects that are highly technical in nature, have a well-understood results chain (for example, in the Ozone focal area), or both, the achievement of global environmental benefits can typically be realized in the short term and will continue unless specific action is taken to reverse the progress made. For example, CFC production sector phaseout projects target the shut down of CFC-producing facilities, thereby eliminating ODS supply and subsequent emissions and resulting in quantifiable global environmental benefits. Unless the technology switch is reversed, baseline ODS emissions will continue to be avoided.

However, in more complex GEF projects, which represent the majority of the portfolio—such as many of those in the Biodiversity, Climate Change, International Waters, and Land Degradation focal areas—environmental improvements can often be perceived and measured only over long time frames (on the order of decades). As such, achieving global environmental benefits necessarily requires that the outcomes be sustained over the long term. For example, a biodiversity project may establish a protected area as an outcome, but the sustainability of that protected area is needed for the project to result in reduced biodiversity loss. Likewise, in the Climate Change focal area, market transformations must be sustained over a period of years for GHG emissions to be reduced.

Whether global environmental benefits can transpire from a project in the short, medium, or long term, they will be achieved only if the right set of conditions is in place on that particular time scale. “Sustainability” is the continued balance of those conditions to allow the continuation of those benefits, as discussed below.

4.2 Sustaining Global Environmental Benefits

The concept of sustainability was popularized in 1987 with the release of *Our Common Future: The World Commission on Environment and Development* (also known as the Brundtland Report). The report stated, “Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs.” At the 1992 UN Conference on Environment and Sustainable Development in Rio de Janeiro, world leaders endorsed this concept by adopting the Rio Declaration, a statement of 27 principles to underpin sustainable development, including a precautionary approach to environmental, social, and economic issues. The principles were affirmed in Agenda 21, a comprehensive plan of action to assist countries in implementing sustainable development. In 2002, the WSSD—prepared and sponsored in part by the GEF—was held in Johannesburg to advance practical and sustained steps in the fight against poverty and a deteriorating natural environment.

Today, many definitions of sustainability and sustainable development exist, because the very concept of sustainability is difficult to define. As stated by Mog (2004), the specific meaning and practical applications of sustainability are (a) highly dynamic, as a result of constantly seeking balance amidst shifting background conditions; (b) largely indefinite, as a result of being based on necessarily abstract, context-specific, and very long-term goals; and (c) highly contested, as a result of the many human values, perceptions, and competing political interests evoked by the concept. At the core, however, all definitions of sustainability recognize the interconnectedness of environmental, social, and economic considerations and the need to achieve an appropriate balance among these three pillars.

In the context of the GEF, OPS3 defines sustainability to be the continuation of global environmental benefits (which may not themselves be apparent in the short or medium term) after project completion and, in particular, the persistence of conditions—sociopolitical, economic, and environmental—brought about by the project. The focus on *conditions* is important in underscoring the need to constantly monitor and adapt to changes in environmental health, resource constraints, policies, technologies, markets, and other dynamic forces that affect the continued achievement of global environmental benefits. That said, it is important for the GEF to look beyond outcomes and impacts when assessing sustainability and explicitly consider the context in which project benefits and activities will be able (or not be able) to endure.

4.3 Achieving versus Sustaining Global Environmental Benefits: Where to Draw the Line?

Given that (1) the achievement of global environmental benefits often can be realized only if activities and conditions endure over the long term and that (2) sustainability inherently requires that global environmental benefits be achieved before they can endure, the concepts of achieving and sustaining global environmental benefits are closely related, if not one and the same. Further evidence of this interwoven relationship has also

become apparent through an exercise conducted by the OPS3 team. Specifically, the team developed a matrix of factors, based on a review of the GEF literature, for both the achievement and sustainability of global environmental benefits; the resulting matrices were virtually identical, as explained further in section 4.4.2. Therefore, the OPS3 team treats the discussion of factors for the achievement and sustainability of global environmental benefits jointly in this section.

4.4 Factors for Achieving and Sustaining Global Environmental Benefits (TORs 1D, 2A, 2B, and 2C)

4.4.1 Historical Context

The achievement of agreed global environmental benefits is at the core of the GEF's mission statement (GEF 1996). Thus, GEF operations and modalities are designed with this goal in mind. For example, past and present criteria for project design and project approval address factors believed to be key to the achievement of global environmental benefits—project concepts must identify root causes of problems, describe national commitments, and provide a preliminary risk assessment and an associated mitigation approach.

The GEF's operational definition of sustainability is called out in its 1996 Operational Strategy, which specifies that to ensure the sustainability of global environmental benefits, GEF activities must be designed to support

- National policies that provide adequate incentives for development paths that are sound, from a global environmental perspective, and contribute to the effective implementation of GEF operations
- Institutional arrangements that support global environmental protection
- Capacity building, human resource development, and skills required to achieve global environmental objectives
- Communications and outreach that promote better public understanding of the global environment, mobilize people and communities to protect the global environment, and build support for the GEF's objectives, strategy, and programs
- Public participation and consultation with major groups (see paragraph 5 of the GEF Instrument; see also Agenda 21, section III, "Strengthening the Role of Major Groups in Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992. Annex II: AGENDA 21. A/CONF.151/26 (Vol. I-III), 12 August 1992. Available at <http://sedac.ciesin.org/entri/texts/a21/a21-contents.html>), local communities, and other stakeholders at appropriate stages of project development and implementation. (GEF 1996)
- In addition, one of the GEF's operational principles is to fund projects that are "country-driven and based on national priorities designed to support sustainable development, as identified within the context of national programs." (GEF. 1996. "GEF Operational Strategy.") In this context, the GEF operational programs need to relate to the economic and social development aspirations of developing countries and particularly their national and local environmental priorities. To this end, each of the focal areas provides scope for exploring objectives related to sustainable development benefits at both national and local levels (GEFM&E 2002d).

Since the OPS2 evaluation was conducted, various GEF entities have taken steps that directly or indirectly target enhanced sustainability. Select examples include:

- At the May 2002 GEF Council meeting, Strategic Priorities were introduced in the fiscal 2003/05 Business Plan. In the Biodiversity focal area, through Strategic Priority 1 (Sustainability of Protected Area Systems), the GEF is providing support to build sustainable systems of protected areas that go beyond support to individual and often “systemically isolated” protected areas, but in which enabling environments, capacity, and sustainable financing are targeted in more focused and systemic ways. Similarly, within Strategic Priority 2 (Mainstreaming Biodiversity in Production Landscapes and Sectors), the GEF seeks to catalyze mainstreaming through support for systemic and institutional capacity building while improving awareness and education among government agencies and other stakeholders (GEF/ME/C.24/7, “GEF Management Responses to the M&E Focal Area Program Studies.” October 2004).
- To promote proactive and adaptive management, the UNDP and GEF developed a Projects Risk Management System that reinforces current mechanisms and adds new ones to ensure achievement of results and impacts. This system aims to provide a “systematic approach to prioritizing projects for supervision and by effectively addressing any issues that significantly impair or might impair the project’s progress towards its objectives.” Moreover, it aims to enable the regional coordinators to enter into dialogue with the Country Office Program Officers concerning adaptive management of projects at risk (UNDP 2005a).
- The OME is preparing a study on the nature and role of local benefits in GEF projects, which will analyze stakeholder involvement according to the GEF policy. Once this study is complete, the OME is expecting to begin the process of developing stakeholder indicators with the IAs.
- The International Waters Task Force, through IW:LEARN, is developing guidelines for the realization of TDAs and SAPs and the incorporation of stakeholders in international waters projects.
- The OME, in coordination with the IAs and the GEFSEC, is to carry out a study to identify steps that might be taken to address issues related to project design complexity and overambitious project objectives (GEF/ME/C.24/2).
- GEF entities are currently exploring measures to enhance engagement with the private sector.
- Initiatives are being undertaken by various GEF entities to strengthen country focal points and conduct mainstreaming at the country level to promote country ownership and drivenness, as described in detail in sections 5.2.2 and 6.1.

4.4.2 Factors for Achieving and Sustaining Results

Based on recent GEF reports,¹ the OPS3 team developed matrices of factors for the achievement and sustainability of global environmental benefits. In developing the matrices separately, the team found that the sets of factors were virtually identical, and that they could not be assessed in isolation from one another, given the interwoven nature of achieving and sustaining global environmental benefits. It should be noted, however, that this analysis of factors is subject to uncertainty at several levels. First, factors mentioned in each study are based on the authors’ assessments and judgment of available, disparate information (for example, project documents, interviews, and so on)—not on precise, ex post information about actual outcomes and impacts. Second, in compiling factors for sustainability into the matrix, the OPS3 team was forced to use its judgment regarding what constitutes such a factor. In addition, the OPS3 team used its judgment in determining how the factors should be categorized in the matrix. To the extent possible, similar ideas were grouped together, to keep the matrix manageable and meaningful.

Exhibit 30 presents the factors cited in each report as influencing the achievement and sustainability of global environmental benefits, as indicated by the Xs in each column. As shown, the resulting list of consolidated factors includes political will (commitment, ownership); adequate financing; appropriate policy and legal framework (including economic development plans, land tenure and rights); capable institutions and people

Exhibit 30. Matrix of Factors for Achieving and Sustaining Global Environmental Benefits

Source	Political will, commitment, ownership	Financing	Policy and legal framework (incl. economic plans and incentives, land tenure, and rights issues)	Capable institutions and people (incl. local capacity)	Stakeholder participation	Partnerships	Awareness and understanding (incl. outreach)	Sound science (incl. natural and social science)	Economic factors	Time horizons	Realistic goals	M&E with corrective actions	Exit strategy	Project management (incl. adaptive mgt., oversight)	Scope, scale	Local benefit sharing, poverty alleviation	External risk identification & mitigation	Gender considerations	Local ownership	Root causes
OPS2 (2002)	x	x	x	x	x	x		x	x	x	x	x	x	x		x			x	x
BPS2004	x	x	x	x	x	x	x	x	x		x	x	x	x	x	unclear	x	x		
WPS2004	x	x	x	x	x		x	x		x	x	x	x	x	x				x	x
CCPS2004	x	x	x	x		x	x	x	x					x						
2002 PPR	x	x	x	x	x	x	x		x	x			x				x			
2003 PPR	x	x	x	x	x	x	x		x		x	x					x			
GEF/C.18/Inf.4	x	x		x	x	x	x	x		x			x		x	x		x		
OP12 Study (2005)	x	x	x		x	x		x	x	x	x				x					
Draft Local Benefits Study	x	x	x	x	x	x	x	x	x	x	x	x		x		x		x	x	x

Note: The OSP3 team used its judgment in determining what constitutes a “factor” for the achievement and/or sustainability of global environmental benefits, based on the information provided in each source, as well as how the factors should be categorized in the matrix.

(local capacity); adequate stakeholder participation; partnerships; awareness and understanding; sound scientific and technological basis; careful consideration of economic factors; adequate time horizons; realistic goals; M&E with corrective actions; exit strategy; strong project management; appropriate scope and scale; local benefit sharing (including poverty alleviation); external risk identification and mitigation; gender considerations; local ownership; and identification of root causes. The matrix reveals that political will and financing were mentioned as factors in every report reviewed.

Although all of the above factors have been singled out as important in achieving and sustaining global environmental benefits at some level, many are interrelated or inputs (or outputs) of another factor. No single factor, or set of factors, can guarantee sustainable benefits from all projects and programs across focal areas or projects goals, types, and conditions. Moreover, because sustainability is a dynamic state, so too are the factors that influence its achievement at any point in time; thus, the range of factors, or at least the level of importance attributed to each, are subject to fluctuation.

At the most fundamental level, two generic factors are key to all GEF projects and programs across the board:

- The will—political will (at the national government level) and local will (at the local government and community level).
- The way—viable means and tools to sustain environmental benefits. This includes resource factors, design factors, and management factors. Once the will is established, the way must be provided.

The Will

The most basic requirement to ensure sustainability for any project or program—the sine qua non—is *political will* at all the national level, without which global environmental benefits cannot be achieved or sustained. The fact that all GEF studies in the matrix have flagged political will as a key factor underscores its critical importance across all focal areas and project types.

Political will is the commitment of national government decision makers to protect the environment, which is needed for the long-term success of environmental initiatives. Political will is evidenced in the actions and decisions of political leaders that demonstrate country ownership (commitment) and country drivenness (when environmental initiatives are country inspired). It can be manifested in a variety of ways, such as through national *laws and policies*, including economic development plans and policies that align with GEF project goals and set appropriate incentives and disincentives. Having the environment on national agendas, a high level of *awareness and understanding* of environmental issues, and pride in national environmental resources are other manifestations, as are strong environmental ministries, the existence of interministerial councils, and strong GEF country focal points.

Political will at the national government level is needed to ensure that national policies do not undermine GEF project goals and that financial and institutional commitments will be made after project completion. For example, government biodiversity policies and enforcement practices must provide a minimum level of protection for protected areas. Likewise, government support to sustain joint institutional arrangements in the International Waters focal area is critical, as are power sector reforms and regulatory frameworks for more widespread and sustainable applications of renewable energy and energy efficiency (CCPS2004). Indeed, BPS2004 noted that the sustainability of project achievements has been “virtually non-existent” in circumstances where government commitment or ownership was weak. Likewise, the World Bank’s 2003 Biodiversity focal area report noted that national policies and decisions at the country level (or outside the country) have often posed greater threats to conservation of protected areas than did poverty or lack of alternative livelihoods, with decisions regarding the allocation of logging concessions, new transport infrastructure, and the like undermining efforts to achieve and sustain global environmental benefits (GEF/C.23/Inf.5)

Political will is also needed to ensure that national policies and legislation regarding land tenure and other rights issues do not undermine the achievement or sustainability of environmental benefits. GEF experience has shown that the inability to address land tenure issues can contribute to project failure (for example, biodiversity projects in Laos and Indonesia) (GEFM&E 2004a, 2004b). This is especially relevant in projects that potentially affect indigenous peoples’ rights to resources and land, such as protected areas projects in the Biodiversity focal area. Simply stated, land tenure and rights issues are critical to providing the basis for indigenous community conservation of biodiversity and, therefore, must be addressed in national policy and legislations (GEFM&E 2004e).

However, it must be recognized that governments are not monolithic, nor are they static. Strong political will may exist at the level of the environment ministry, but that ministry may be weak and not necessarily representative of the broader political will among the government sectors that hold the power to set national priorities and enact policies. Moreover, political will may be strong with a political regime today, but that may disappear once a new regime comes to power. As such, shifts in political will can undermine the continuation of global environmental benefits already achieved by changing the external conditions under which the fragile state of sustainability was built by GEF actors.

The GEF recognizes the importance of political will and, therefore, has mandated that GEF projects fit into national priorities and be country driven. In countries where government decision makers lack political will, environmental mainstreaming and capacity building at the national level are needed (for example, the provision of technical assistance to governments during planning and management exercises to ensure consideration of environmental issues) and is commonly provided by the GEF. However, OPS3 found that political will is sometimes compromised in GEF projects, as discussed in detail in section 5.2.

Local will, including that of local government, NGOs, the private sector, and communities, is also critical to the achievement and sustainability of global environmental benefits from all projects and programs, especially those that are community based or require behavior changes to achieve the desired environmental impacts (as is common in the Biodiversity and Land Degradation focal areas). Local will, as manifested through local

ownership, is also critical to the success of some climate change projects, especially those that involve the management of fuelwood resources (GEFM&E 2004c, 2004f). To garner local will, outreach and awareness raising, stakeholder participation, and the generation of local benefits (including income-generating activities) are key.

Outreach and awareness raising are the basic method of providing information to stakeholders and garnering their support. CCPS2004 found that sustainability of market transformation would be enhanced if GEF programs were backed with well-designed public awareness campaigns, among a variety of other factors. Similarly, TDA activities in the International Waters focal area, which are cited in IWPS2004 as being most likely to “maintain stakeholder confidence while endeavoring to ensure longer-term sustainability of local and global benefits,” aim to make all information available to the stakeholders in a “concise and non-jargonistic manner.” According to BPS2004, the public information and education components of some projects (for example, the Barrier Reef project in Belize) have been cited as “one of the most important techniques for bringing about long-term environmental awareness and action.” Awareness raising and outreach can also be the first step of engagement toward more meaningful stakeholder participation.

Stakeholder participation is needed at all project stages (design, implementation, M&E), particularly in projects that rely on behavior changes to achieve environmental goals. Stakeholder participation can range from information sharing and consultations (low-level participation) to collaborative management partnerships (mid-level participation) to self-management (high-level participation) (Soussan, John, Alexandra Clemett and Oskar Wallgren. “The Nature and Role of Local Benefits in GEF Program Areas: A Review of International Experiences Concerning the Nature and Role of Local Benefits in the Biodiversity, Climate Change and International Waters Areas.” August 18, 2003. Study Document Number Eight. Funded by the GEF). Higher-level stakeholder participation is most commonly cited as a factor for sustainability in the Biodiversity and Land Degradation focal areas, as well as small-scale or community-based projects. In such projects, active (not passive) participation is commonly needed to build local ownership and local leadership. A “champion” can “carry the torch” once GEF involvement comes to an end. Such “champions,” who infuse enthusiasm and commitment into the work and sustain desirable project outcomes, were found by the OPS3 team in a number of projects, including the regional Lake Tanganyika international waters project (FSP) and the Organic Farming project (SGP) in Costa Rica. Likewise, the 2002 MSP Evaluation (GEF/C.18/Inf.4) found that “the local and participatory emphasis of most MSPs has helped create more favorable conditions for the achievement of long-term environmental goals.”

To change local behaviors, extensive groundwork on community social organization and culture is often needed as a basic foundation, which can take considerable time. According to BPS2004, the availability of timely and reliable information is also important to hold project actors accountable and promote trust building and transparency, especially in cases where groups are asked to give up traditional resource use. OPS3 NGO consultations underscored the importance of timely and transparent information flows, because lengthy project approval time frames were blamed for compromising project results by causing local stakeholders to lose trust, interest, or both in projects after a number of years have gone by.

Although stakeholder participation may be most critical in the types of projects described above, it offers the opportunity to increase the potential for achieving, sustaining, and catalyzing global environmental benefits in nearly all types of projects (with the exception of those that require in-depth technical or legal expertise, where the contribution of local people may be limited). IWPS2004 noted the failure to give due consideration to proper stakeholder identification, consultation, and eventual participation as factors that would “severely” compromise “project outcomes and the search for sustainable solutions.” Moreover, the draft Local Benefits Study cautions that projects in the Climate Change focal area could be “underestimating the social factors that pattern the reception of new technologies within target communities” (GEFM&E 2003g). Likewise, Brunner (2004) states that devolution of power to smaller communities is the most “constructive response” for all but the most technical problems, where multiple goal values are typically at stake, different interests have to be

The GEF and Indigenous Groups

Because many traditional territories of indigenous peoples worldwide have been designated as protected areas, and much of their ancestral lands contain biodiversity and biological corridors of global importance, GEF policies, projects, and programs have major implications for indigenous peoples. In recognition of this, the GEF agreed to designate 2 of the 10 seats reserved for NGO observers for indigenous peoples' organizations (IPOs) in 2000, following COP-5 of the CBD. Since that time, IPOs regularly attend both the GEF Council meetings and the preceding NGO consultation meetings. Although indigenous participants have had mixed reviews of these GEF Council meetings, they have reported that they appreciate the inclusiveness of the process and feel that they have some level of influence on the thinking and priorities of the GEF Council (Griffiths 2005).

As described in "Indigenous Peoples and the Global Environmental Facility," prepared by the Forest Peoples Programme in January 2005 (Griffiths 2005), the GEF is making some strides toward improving its consideration of indigenous communities. For example, the GEF launched a review of local benefits in GEF projects in 2002, in response to IPO (and others') requests, and is to work on developing social and participation indicators. In addition, the GEF is starting to support community conservation areas in Latin America, and several MSPs are beginning to be prepared and implemented by indigenous peoples. Also, indigenous communities and organizations generally praise the GEF-UNDP SGP, especially ongoing efforts to improve indigenous peoples' access to GEF grants.

However, the 2005 report of the Forest Peoples Programme and the Local Benefits focal area desk studies (2003e–2003h) uncovered some critical areas of improvement for the GEF with regard to how the needs and wants of indigenous peoples are addressed, particularly in the Biodiversity focal area. The major findings of one or both of these reports include:

- Indigenous consultation and participation are often lacking.
- Legal rights and cultural issues are not addressed in project design and social assessments.
- GEF policy regarding indigenous peoples is lacking (for example, on land tenure and resettlement).
- An exclusionary model of conservation is still applied to some GEF policies and projects.
- Livelihood benefits received at community level are minimal.
- Local communities are inappropriately treated as homogenous groups.
- Use of existing local and community institutions is inconsistent or inadequate.

Issues related to the GEF and indigenous peoples were acknowledged in May 2004 during the GEF-NGO consultation, as the GEF CEO and Chairman noted the need for the GEF to align IA policies on indigenous peoples with the reality on the ground. Concerted efforts on this front are still needed, and, as the GEF intends to expand grant aid to large-scale conservation and sustainable use projects in the wider landscape, it will become increasingly critical that the GEF adequately address the needs, rights, and concerns of indigenous peoples.

integrated if possible or traded off if necessary. Indeed, Mog (2004) states that "...to create a sustainable process of learning and of innovation, local people and institutions must be treated not as mere collaborators, but as lead actors in the formal and informal research, trials and experimentation that can help orient them toward identifying and solving the problems they face."

Adopting an inclusive approach to vulnerable groups—including indigenous groups, women, and children—is particularly important during the stakeholder participation process. Addressing the needs of these vulnerable groups is a fundamental aspect of sustainable development. Case studies prepared for the Local Benefits Study highlighted that *gender* issues are particularly relevant to projects that involve the use of terrestrial or marine resources—for which the key users are often women (GEFM&E 2004d)—and that land tenure/rights issues are critical for indigenous community conservation of biodiversity (GEFM&E 2004e). For these types of projects, women and indigenous groups should be involved in design and implementation in meaningful ways. Currently, however, the majority of project documents provide little detail on the involvement of these stakeholders or on why they are involved or how; for example, "local communities," "women," and "indigenous communities" were found to be commonly mentioned in project documents, but rarely disaggregated (GEFM&E 2003f). A greater focus on considerations of gender and the needs, rights, and local knowledge of indigenous peoples appears to be needed within the GEF, as highlighted further in the text boxes in this section.

Gender Consideration in the GEF

Addressing gender roles in the context of GEF projects is particularly relevant at the local level, in rural areas, where women are generally responsible for agriculture and other activities directly related to the management and use of terrestrial and marine resources. However, GEF operational policies are silent on gender, although it is arguably implicit in the guidelines on marginalized groups and participation. Still, the literature on gender mainstreaming is emphatic that unless gender is explicitly addressed in policies and planning, gender inequalities will persist (Lowe and Khan 2001). Fortunately, each of the IAs has explicit policies on gender, all of which include the goal of mainstreaming the consideration of gender throughout all policies, programs, and projects. For example, the World Bank's gender strategy requires periodic gender assessments in a country and designing of country-specific strategies based on cultural and social differences (Khundker 2004).

Involving women meaningfully in GEF projects such that they are *empowered* to participate requires special effort on the part of implementing and executing agencies. The OPS3 team found some evidence that agencies are rising to the occasion in this area. For example, one SGP project in Brazil is being run by a women's group (*Mulheres das Aguas* or Women of the Water), which is supporting savanna biodiversity conservation through a variety of activities that strategically utilize gender roles to influence community behaviors (for example, teaching women how to make jellies and other goods from local plants, to gain an appreciation for and economic incentive to conserve). Another example is the Ecomarkets project in Costa Rica (FSP), which provides a specified amount of its revenue to women heads of households.

However, most often, IA representatives and other project proponents interviewed during OPS3 field visits had very little to say on the topic of gender consideration, suggesting that such consideration is not typically prominent in GEF projects. This supports the findings of the Local Benefits desk review of the Biodiversity focal area, which found that project documents generally do not disaggregate "local communities" by gender (nor along other lines, such as ethnicity, age, and so on). Similarly, an earlier study (Lowe and Khan 2001) conducted as part of the OPS2 evaluation also found that gender participation is rarely mentioned in project documents and that, when it is mentioned, it is done largely because of the explicit need to address the issue rather than as a result of an in-depth analysis. It is evident that great opportunity exists to learn from GEF projects that have successfully incorporated gender issues into project design and implementation, to promote greater replication of such approaches throughout the GEF portfolio.

According to several GEF reports (BPS2004, OPS2, OP12), GEF projects have made good progress in involving all types of potential stakeholders. Recent assessment data from the World Bank are very positive; of 54 World Bank–GEF projects subject to the Quality Assurance Group's (QAG) Quality at Entry Assessments (QEAs) and Quality Supervision Assessments (QSAs) between fiscal 1999 and fiscal 2004, 89 percent of projects overall were rated satisfactory or above in their treatment of social development aspects, which is slightly higher than the Bank-wide average of 87 percent. Of the 26 projects reviewed for the third to sixth QEAs (QEA3 to QEA6), 88 percent received a rating of satisfactory or better on design quality, or the attention paid by the task team to integrating social, poverty, and gender issues into the project. For another 28 projects implemented during fiscal 2000 to fiscal 2004, 89 percent were rated satisfactory or better in QSAs of identified social, poverty, and gender issues.

However, BPS2004 found that despite progress made, active stakeholder participation has been more common during project implementation than during project preparation. Additionally, the desk review conducted by the OME for the Local Benefits Study found that social assessment and stakeholder analysis in project design and implementation are not clearly articulated, with no systematic collection of baseline data on participation (both quantitative and qualitative) against which progress can be monitored and assessed against agreed indicators (GEFM&E 2003f). OPS3 suspects that the divergence in findings between those of the OME and the QAG points largely to the inconsistency with which stakeholder participation is measured and rated. A review of select project documents by the OPS3 team supports the findings of the OME. Overall, more transparency and accountability and systematic reporting systems are needed across IAs and EAs with regard to participation.

Also, the need for multilevel and multisectoral *partnerships* has been strongly linked to achieved and sustained environmental benefits (GEFM&E 2000a). This factor resonated powerfully with NGO stakeholders interviewed during the OPS3 field study, who felt that partnerships among government, NGOs, community-based organizations, and the private sector are critical for achieving and sustaining environmental benefits on

the ground. Involvement of such partners introduces expertise and skills to projects and can result in commitment, investment, and synergies that are vital to producing positive impacts. Evidence of successful partnerships gathered by the OPS3 team supports this, including the Integrated Management of Land-Based Activities in the São Francisco Basin, Brazil; the Conservation and Sustainable Use of Biodiversity in the Llanos Ecoregion project, executed by Fundación para la Defensa de la Naturaleza (FUDENA) in Venezuela; and the 1992–96 Institutional Support Program in Biodiversity project in Tanzania.

However, NGOs consulted by the OPS3 team noted that more is written or said about stakeholder participation in GEF projects than actually takes place. The OPS3 team found that much “consultation” takes place, but less active participation is seen. In the Pacific SIDS, NGO participation did not occur on a meaningful level, and NGOs were not kept abreast of project development. Moreover, during regional NGO workshops held in Fiji, many participants commented that they did not realize, or realized belatedly, that projects in which they had been involved (in some way) were GEF funded, nor were they clear about what their roles were in those projects.

*Local benefits*² are interpreted as elements of project outcomes that directly or indirectly have positive impacts on people and ecosystems within or adjacent to GEF project areas; they provide tangible gains in the livelihoods of communities and the integrity of ecosystems (GEFM&E 2003e). Simply stated, local benefits promote local will by providing local stakeholders with incentives to undertake desired behavioral changes that lead to environmental benefits. By targeting social and economic development and poverty reduction goals, local benefits can foster sustainability by balancing the social and economic pillars with the environmental dimension. They are particularly important for indigenous groups, women, the poor, and minority groups who depend more directly on natural resources and have the lowest capacity to respond to and cope with the degradation of ecosystems.

Although the generation of local benefits is most commonly considered in projects in the Biodiversity focal area and in smaller-scale or community-based projects, they can be built into projects in any focal area to maximize benefits and promote sustainable development. Local benefits that directly reduce poverty (for example, improvements in physical and economic capital) seem to hold the highest value among local stakeholders (Van Dam, Castro Arze, and Zazueta 2004). Indeed, the incorporation of poverty considerations into project design and implementation is critical to targeting local-global linkages effectively (GEFM&E 2004e). The OPS3 team found that this is particularly true for LDCs and SIDS, where stakeholders interviewed emphasized that poverty alleviation goals are the most pressing priorities; as was said, “You can’t fix the environment until you fix poverty.” The outcomes of the WSSD and the Millennium Declaration reinforce what is an emerging trend to require that environmental projects and programs justify themselves in poverty reduction and development terms, thereby reinforcing the importance of local benefits (GEFM&E 2003e).

Fostering Sustainable Conservation through NGOs in Tanzania

In Tanzania, the GEF has had a significant impact on capacity building and increasing awareness of environmental issues. As part of the 1992–96 Institutional Support Program in Biodiversity project, the GEF supported local NGOs in organizing a workshop, Putting Biodiversity on the National Agenda. This event was attended by the president, various ministers, and representatives of NGOs and universities, and it had a major impact on increasing awareness that has not only endured, but grown, over the years. The event allowed NGOs to gain credibility with the government and raise needed funds to expand their conservation work into new areas. Indeed, the workshop has been credited with launching the NGO movement in Tanzania.

Since the mid-1990s, the Wildlife Conservation Society of Tanzania (WCST), an NGO, has played a large role in various GEF projects in the country. Their first GEF project, the GEF cross-border biodiversity project, provided them with valuable experience and allowed them to play a critical role in conserving wildlife in the country. For example, the WCST is responsible for developing quotas on live bird trade and interacts with the Ministries of Education, Forestry, and Fisheries to develop marine parks, among other things. According to the WCST representative interviewed by the OPS3 team, their growth has largely been a result of GEF projects, which gave them the needed experience, exposure, and funds to kick-start biodiversity conservation in Tanzania.

However, the generation of local benefits is not a panacea. BPS2004 noted that there is not a significant amount of evidence demonstrating that benefits accrued by individuals and communities resulted in changes of behavior that favored biodiversity conservation. In particular, the report found that, for several biodiversity projects targeting local benefits, activities did not produce enough cash income for local populations and resulted in continued demand for the targeted resource—and, in some cases, even increased demand for it.

This is because the social goals of local benefit generation cannot in themselves produce global environmental benefits, but must be balanced with the other pillars of sustainability. Accordingly, the BPS2004 example points to inadequate consideration of the economic pillar, especially to the need for adequate market research and understanding and careful monitoring to provide and ensure that communities are given economically viable alternatives that will compel them to behave as desired (for example, refrain from specific resource use).

Likewise, the environmental pillar must also be carefully considered. The draft Local Benefits Study suggests that many GEF projects focus heavily on achieving either environmental or development objectives without reaching a healthy balance between the two. When development-focused projects do not target environmental objectives, global environmental benefits are not achieved or sustained; when environment-focused projects do not target development objectives, opportunities for promoting sustainable development are lost, and global environmental benefits are likely not sustainable.

According to the draft Local Benefits Study, inadequate focus is given to the generation of local benefits. For example, few GEF projects establish social baselines against which to measure change in stated local livelihood benefit goals, and plans are not typically in place to monitor and evaluate such changes. This is not surprising, given that the establishment of a social baseline is not included in the GEF-funded incremental cost. The study also found that, during project implementation, the systems of reporting to the GEF do not provide sufficient information on local livelihood benefits and impacts—again, this is not surprising, given that they are not designed to systematically provide this type of information. Further, the study found that no quantitative or qualitative information on the generation of local benefits is systematically provided in PIRs, Mid-Term Evaluations, or terminal evaluation (TE) reports (GEFM&E 2003f). Enhanced accountability and common reporting systems are needed across IAs and EAs with regard to local livelihoods and benefit generation—as found by OPS2 and the Local Benefits desk review. Moreover, improved tracking of livelihood benefits, such as health benefits, could increase political will and local buy-in and foster increased replication, by improving the understanding of those benefits.

The Way

Conceptually, the way to achieve and sustain global environmental benefits, according to the OPS3 team, consists broadly of three components. These components include resource factors, design factors, and management factors.

Resource Factors

Resource factors are those assets that must endure once GEF involvement comes to an end. The first such asset is *finances*—a factor that was highlighted in all GEF studies as being key. Adequate financial support is needed during project implementation to provide needed project inputs, but unless projects are self-financing, additional sources of funding must also be secured to sustain outputs and outcomes once GEF involvement ceases. Financial self-sufficiency or even profitability may be the ultimate goal for many projects, but achieving this state within the lifetime of a GEF project—if at all—is often not possible (BPS2004; GEFM&E 2002d). For example, in the International Waters focal area, sufficient government funding is needed to maintain the institutions at the level necessary to implement actions agreed on in the SAP and other relevant agreements; in the Biodiversity focal area, long-term funding is needed to manage protected

areas and to support alternative livelihood behaviors; and in the Climate Change focal area, sustainable financing schemes contribute to the achievement of market transformations for energy savings or clean technology applications. Diversity in funding is ideal, so as not to become dependent on a single source (GEFM&E 2000a).³ Involvement of the private sector has been identified as an important way to promote financial sustainability of projects.

The other resource factors for sustainability are institutions and people, which refer to the capacity that must be available while the project is ongoing and then must endure once GEF involvement ceases. *Institutions* are particularly important in the Biodiversity and International Waters focal areas to champion the cause and undertake ongoing responsibilities. In particular, sustaining biodiversity conservation in the long term requires institutions with a “cohesive presence and identity to be able to operate and achieve their mandate,” to whose establishment the GEF has contributed (BPS2004). According to BPS2004, a sustainable institution should have an appropriate organizational structure to enable accountability, effective communication, and chain-of-command processes within the institution. Similarly, in the International Waters focal area, interministry and intercountry bodies are needed to implement agreed actions (for example, those in the SAP). OPS2 noted that broadened and intensifying partnerships with the science and technology communities can help build capacity.

IWPS2004 observed that sustainable institutional mechanisms are rarely created in less than a 10-year total time frame. Moreover, OPS3 field visits identified a number of projects facing challenges due to weak or changing institutional structures. For example, in Russia, challenges to continuity were caused by governmental reorganizations over the past decade, where responsibilities and associated staff and budget might have been lodged in an agency that was subsequently eliminated or changed in function. Russia overcame this challenge by putting in place redundancies for roles and responsibilities, such that responsibilities were devolved to lower government levels. Building in these types of staff redundancies may be necessary in some countries, particularly in unstable federal institutional arrangements, but there are associated cost implications.

Human resources, including technical and leadership capacity, are needed across all major focal areas to carry out responsibilities at the local level, institutional level, or both. Capacity at the local level is particularly important for small-scale or community-based projects (for example, SGP, MSP).

Country focal points interviewed during the OPS3 field visits commonly cited the need for human capacity, and they noted two main obstacles to sustainability in this area. First, the use of international experts or consultants in GEF projects has often undermined capacity development and technology transfer to local people (as well as national institutions and organizations). Moreover, the use of international consultants can weaken the likelihood of sustainability by creating animosity or a sense of disempowerment in communities, thereby undermining local will. Second, high staff turnover is a problem in many countries, especially in LDCs, SIDS, and CEITs, where new skills may lead to better opportunities. Often, staff turnover can result in the loss of capacity, particularly if capacity is narrowly held. Thus, technical capacity must reside in more than one person.

Design Factors

Creating a project or program that will achieve and sustain global environmental benefits begins with making sure that the appropriate factors are considered at the outset, in design. A fundamental factor in project design is getting the premise (in terms of achieving and sustaining environmental benefits) of the project right by using *sound scientific bases*. For most projects, strong scientific and technical bases are needed for ensuring that global environmental benefits are both achieved and sustained. IWPS2004 and OPS3 found that TDA and SAP activities are most likely to lead to success and longer-term sustainability of benefits. As previously mentioned, the OP12 study found several troubling cases of projects that were based on flawed science in

design, although these findings were based only on the 38 projects in OP12 (Integrated Ecosystem Management).

Adequate *social science* input is also critical for the design of most GEF projects, particularly those that target the poor or have significant community or natural resource management components. Social assessments, which develop an understanding of sociocultural local contexts and establish who and what the project targets are, should be conducted during project preparation and used to inform project design. For example, in the Biodiversity focal area, social assessments are needed to properly identify targeted livelihood interventions, and they are often needed in the International Waters focal area to identify who the communities are, what their needs are, and what local institutional structures exist that can be germane for implementation. Similarly, social assessments are needed to generate and sustain maximum global environmental benefits of rural energy projects in the Climate Change focal area. For example, case studies of rural photovoltaic (PV) projects in Uganda and Zimbabwe, conducted as part of the draft Local Benefits Study, revealed that the lack of social analyses during design and implementation resulted (in part) in failure to target delivery modes and strategies to improve affordability and accessibility of solar PV technologies for low-income groups, including women—thereby limiting the potential for achieving large-scale development and environmental objectives (GEFM&E 2004g; GEFM&E 2004h). Social assessments can also be used to ensure that local benefits are generated equitably and that there is a good understanding and conscious selection of who the “winners” and “losers” will be. To date, it appears that the GEF reporting systems allow for project approval based on only minimal social analysis (GEFM&E 2003f).

For projects that target market-based solutions, a *sound economic basis* is also key. In particular, climate change projects that seek to transform markets must reflect solid understanding of the market and business infrastructure and use the appropriate technology. Likewise, economic awareness and understanding is needed in biodiversity projects that must provide alternative livelihoods, as briefly discussed above. Indeed, BPS2004 noted that, in cases where the intended use of a particular biodiversity component is commercial in nature, “a business planning approach should be considered, including a market analysis for demand and a biological analysis for supply.” The OPS3 team observed that, where the goals of the project have been aligned with or have developed viable commercial opportunities, drivers for sustainability have been created.

Project designers must also correctly identify and seek to address the social and political *root causes* of environmental problems if they are to properly design solutions to achieve and sustain global environmental benefits. For example, the root causes of biodiversity loss often compel the need for local benefit sharing and modifications to national economic policies.

In addition, project designers must set *realistic goals* for achieving sustainability within the limited time frame of GEF projects. The 2003 PPR found that “[o]bjectives may be unrealistic in terms of the capacities of local partners, assumptions about initial conditions or the resources, and time required to achieve the desired results—or in all of these.” (GEF/C.23/Inf.5) IAs have also reported that GEF projects tend to include too many separate activities, resulting in lack of clarity of what the project objective actually is (GEF/C.23/3). For many GEF projects, it is simply not possible to reach sustainable results within the short *time frames* in which they are implemented (typically two to four years). For example, the 2002 PPR (GEFM&E 2002c) found that, for biodiversity projects, the chances of attaining sustainability within the typical three- to four-year lifetime of GEF projects are poor, especially in the case of projects in LDCs. Longer time frames, on the order of 10 years, are often needed to achieve sustainable results. At the big-picture level, this may call for the development of more phased and programmatic approaches to GEF activities. At the project level, this calls for the need to plan for an *exit strategy* at the outset of projects, so that benefits continue once the GEF pulls out. Exit strategies should not just plan for an exit, per se, but should plan for the next phase—the evolution of the project post-GEF financing. BPS2004 found that project designs rarely include dedicated exit strategies from the start, which very likely resulted in lessened potential for sustainability.

Realistic project design should also carefully consider tradeoff, because “win-win” situations, though desirable, are not always possible (GEF/ME/C.25/5). In addition to the need to consider the project “winners” and “losers,” tradeoffs must also be considered in terms of development and poverty alleviation goals and global environmental goals. In such cases, difficult and perhaps unpopular decisions will need to be made, which balance the perceived importance of specific environmental goods and services versus the possible need to sacrifice some gains in poverty alleviation. Based on the OP12 report, it appears that this issue of tradeoffs is not being adequately addressed—at least not in the OP12 portfolio, which was reviewed (GEF/ME/C.25/5).

Successful projects also require that project design consider the most *appropriate scope and scale* for achieving sustainable global environmental benefits. A project of any size or scale can produce (and has produced) sustainable results, but to do so, design must strive to achieve the right balance among the ambition of a project, its budget, and its likelihood for sustainability. Often, the very nature of certain projects may dictate scale. For example, addressing environmental issues in the International Waters focal area may not be feasible through a smaller-sized project vehicle. IWPS2004 highlighted the need for a coordinated, systemwide approach to achieve global environmental benefits, noting that piecemeal approaches do not work. A recent OME report found that the scale of projects and their technical complexity and implementation schedules should be consistent with the capacities of local EAs (GEF/C.23/3). The MSP Evaluation (2002) found that MSPs that are part of a larger process appear to have greater potential for sustainability.

Some evidence suggests that smaller-size projects may hold more promise in achieving sustainability,⁴ perhaps because of their more targeted focus and limited objectives, or because of the more transparent, participatory, and country-driven approach to planning that characterizes SGP projects (BPS2004). Indeed, the SGP evaluation (Wells and others 2003) found that “the overall long-term global benefits from SGP activities will be considerable, and are likely to exceed the global benefits generated by most larger projects with financial resources comparable to or even exceeding the entire SGP budget.” Stakeholders at all levels and across multiple countries interviewed as part of the OPS3 field study voiced very strong support for the SGP, citing very high likelihood of sustainability because they are more manageable—especially for LDCs and SIDS with very limited capacities—and more in line with their capacity to absorb funds. These findings make sense in light of Brunner (2004), who found that “[f]or all but the most technical problems...the most constructive response to ameliorating pressing problems is often to devolve power to smaller communities, where it is easier to integrate the competing demands of interest groups and institutions.”

However, although the nature of smaller projects may be more conducive to sustainability, at least at some level, their potential impact on the global environment may be less significant. Further investigation into how the achievement and sustainability of environmental benefits varies by project size is needed to more conclusively state which, if any, project size is most successful.

To the extent possible, design should also attempt to build in resilience to exogenous effects, such as international economic shocks or changes in the political and security environments. BPS2004 emphasized the importance of clearly articulating potential *external risks* (for example, war and political instability, economic uncertainties, corruption, HIV/AIDS and other pandemic diseases, impacts of weather and climate change, and so on) and developing mitigation strategies for dealing with them from the outset of a project. The 2002 PPR noted the importance of this as well, citing the failure to achieve sustainability in one climate change project in Poland as a result of a lack of consideration for future fuel and energy prices and environmental taxes or fees.

To move the project to a sustainable basis, sustainability indicators should be identified to allow *Me&E* against those indicators at early and middle stages of implementation. This can allow the gauging of ecological, sociopolitical, and economic variables to inform future project decisions, such that projects can be kept on track to achieve sustainability. (This issue also links to the need for adaptive project management, discussed below, so that constructive feedback can be used to improve project implementation.)

It should be noted that a variety of other considerations must be addressed in project design to foster local ownership (for example, social assessments, stakeholder input, and so on), which is key for community-based projects. These factors have been discussed in the context of garnering local will.

Management Factors

Adequate management skills, including *project management*, were explicitly flagged in the GEF documents reviewed (see exhibit 30) as being important for achieving and sustaining global environmental benefits of projects in all major focal areas. As previously stated, the OPS3 team found that the success of many projects often depended on the competence of project managers on the ground. *Adaptive management*⁶ is needed in all project types to allow managers to modify project plans for sustainability as project conditions and external factors change over time. Adaptive management systems are needed to identify emerging risks and address them properly. In addition, an appropriate level of *oversight* is also needed on the ground. Some country focal points interviewed during OPS3 field visits noted a particular need for monitoring and verification of reported progress in countries where government corruption is evident.

4.4.3 Extent of Sustainability

Since OPS2, a number of other GEF studies have also provided information on actual or likely sustainability of GEF projects, including The Challenge of Sustainability (GEF. 2002. “The Challenge of Sustainability: An Action Agenda for the Global Environment.” Available at <http://thegef.org/Outreach/outreach-Publications/MainBook.pdf>), BPS2004, PPRs (2002 and 2003), and the draft Local Benefits Study. For example, the UNDP project in Uzbekistan that is establishing the Nuratau-Kyzylkum Biosphere Reserve is highlighted as a success in BPS2004, as is the UNEP project Reversing Environmental Degradation Trends in the South China Sea and Gulf of Thailand, which is noted in the 2003 PPR.

In addition, the OPS3 field study has also uncovered further evidence of sustainability. For example, the Ecomarkets project in Costa Rica, which was noted as holding promise for sustainability in the 2000 GEFM&E Thematic Review (GEFM&E 2000a), was found to be producing sustainable results (see section 3.1 for more details). Benefits of other projects were also deemed likely to be sustained, including the Integrated Management of Land-Based Activities in the São Francisco Basin project in Brazil; and the Management and Conservation of Wetland Biodiversity in the Esteros del Ibera project in Argentina.

However, although it is clear that sustainability of benefits follows some GEF projects, there is reason to believe that the level of actual or likely sustainability achieved through GEF projects may be somewhat limited:

- BPS2004 found that, based on an in-depth review of 34 completed projects, important outcomes were not likely to be sustained in about two-thirds of the projects, including 13 of 21 World Bank projects, 6 of 10 UNDP projects, and 3 of 3 UNEP projects.
- The 2004 “Report of the Monitoring and Evaluation Unit” (GEF/C.23/3) noted that the GEF has supported TDAs and SAPs on reduction of stress in water bodies in the International Waters focal area, but it is uncertain whether investments are taking place after the planning exercise. The report also noted that the 2003 PPR found that financial and institutional sustainability are a major problem at the time the GEF projects are closed in the Biodiversity focal area.
- The 2003 PPR noted that only five of nine ongoing World Bank climate change projects assessed were given encouraging prognoses for sustainability.
- The 2002 PPR found that “even though some aspects of projects might have a high likelihood of sustainability, GEF projects are not doing enough to ensure the sustainability of overall project outcomes and impacts.”

- The MSP Evaluation (2002) found that most MSPs supported and catalyzed important initial steps toward addressing environmental problems, but that subsequent steps would be required to generate long-lasting and significant benefits (GEFM&E 2002f).

But aside from project examples and qualitative observations, all of these studies—including OPS3—have been hampered by data limitations in assessing the extent of sustainability. As already discussed, achieved sustainability of benefits and activities can be assessed only in the long term (10–15 years), which renders assessment of GEF projects difficult, given that only a small sample of projects have been completed to date. More important, a systematic account of the extent of sustainability is not possible, given the lack of systems in place to adequately measure actual or likely sustainability. Indeed, there is still no common system in place to quantifiably or qualitatively measure the extent of actual or likely sustainability in terms of the overall GEF portfolio.

Currently, several modalities are in place to promote and monitor sustainability in GEF projects. In particular, sustainability must be explicitly addressed in project proposals and terminal evaluation reviews (TERs), although the treatment of sustainability is often focused on *financial* sustainability. In annual PIRs, the treatment of sustainability can vary by project: Some directly discuss prospects, threats, or requirements (or all three) for sustainability, and others may indirectly address it through the provision of information on general project risks, partnership strategies, M&E, stakeholder participation, and so forth.⁶ In addition, projects are encouraged to include long-term monitoring plans that are sustainable after project completion.

But without a system in place to measure the extent of likely sustainability, or any systematic ex post monitoring to measure actual sustainability, a comprehensive assessment of sustainability achieved by the GEF portfolio is impossible.

On a positive note, the OME is to begin ex post project evaluations in 2006. Moreover, the World Bank Operations Evaluation Department (OED) already conducts select ex post project impact evaluations, including of GEF projects. According to the OED, the likelihood of sustainability of GEF projects implemented by the World Bank averaged 72 percent from fiscal 2001 to fiscal 2003, and the implementation completion reports (ICRs) ratings were even more optimistic (GEFM&E 2003c). Moreover, these studies have found that newer GEF projects show improvements over older ones in terms of incorporating the necessary ingredients for sustainability. More recently, the World Bank's GEF coordination team has begun a series of impact assessments of projects completed, on average, five years ago. Studies are nearing completion of four climate change projects and about to begin for five biodiversity projects. Based on the assessment of the climate change projects, four were found to be producing sustainable results: the Poland Efficient Lighting project, the Mexico High Efficiency Lighting project, the Thailand Promotion of Energy Efficiency project, and the Jamaica Demand Side Management project.

Some IAs also conduct other types of evaluations that touch on sustainability in some shape or form. In particular, the World Bank and UNDP conduct thematic and sectoral studies and country evaluations, and the UNDP also conducts outcome evaluations (GEFM&E 2003c).

Additionally, the OME's draft 2004 Annual Performance Report (GEF/ME/C.25/1) also addresses sustainability. This report summarizes the ratings on anticipated achievement of objectives and sustainability provided by IAs in the 25 TEs prepared in fiscal 2004. Based on this summary, the majority of projects (58 percent) were rated as being likely, good, or satisfactory for achieving sustainability, as presented in exhibit 31.

However, the sustainability ratings provided by IAs were not consistent across or within agencies, and there are wide variations in the types and numbers of ratings (for example, some used the scale from “highly likely” to “highly unlikely,” and others used the scale from “highly satisfactory” to “unsatisfactory”) (GEF/ME/C.25/1).⁷ Moreover, as shown in exhibit 31, ratings were not provided for 8 percent of completed projects in fiscal 2004.

Exhibit 31. Summary of IA Sustainability Ratings in Fiscal 2004 TERs

Projects	Unlikely, fair, marginally satisfactory	Likely, good, satisfactory	Highly likely, very good, highly satisfactory	Excellent	No rating
Percent of total	12	58	18	4	8
Number	3	14.5 ^a	4.5 ^a	1	2
Number by IA	<ul style="list-style-type: none"> • 1 UNDP • 1 UNEP • 1 World Bank 	<ul style="list-style-type: none"> • 2.5 UNDP^a • 5 UNEP • 6 WB • 1 UNDP–World Bank 	<ul style="list-style-type: none"> • 0.5 UNDP^a • 2 UNEP • 2 World Bank 	<ul style="list-style-type: none"> • 1 UNEP 	<ul style="list-style-type: none"> • 1 UNDP • 1 World Bank

a. One UNDP project was rated as “highly satisfactory/satisfactory,” which is represented in this table as a half point in both “highly satisfactory” and “satisfactory” rating categories.

Notes: Ratings in this table attempt to unify disparate ratings systems used by IAs. Ratings grouped together in this table may not necessarily reflect the same level of achievement of sustainability.

In the absence of a more systematic measurement and cataloging of likely or actual sustainability, a more accurate portrayal of the extent to which sustainability is being achieved in the GEF portfolio is not possible. This would require the development of clear definitions and indicators for sustainability by focal area and adequate information management architecture and systems. Indicators would need to look beyond project outcomes by accounting for the conditions in which projects are operating (for example, use of adaptive management to modify project plans in response to changes in national economic policies and other external conditions, strengthening of institutions to respond to such changes once GEF-funding ceases, and so on).

Fortunately, a number of efforts are under way that hold promise in contributing to the measurement of achieving and sustaining global environmental benefits. For example:

- In June 2003, the GEFM&E developed “GEF Guidelines for IAs to Conduct Terminal Evaluations” (GEFM&E 2003a), which includes general principles for assessing project achievements with regard to sustainability. The GEFM&E proposed that evaluators address at least three aspects of sustainability: (1) financial resources, (2) stakeholder ownership, and (3) institutional framework and governance. The guidelines encouraged evaluators to include long-term monitoring plans that are sustainable after project completion (GEF 2005).
- The International Waters Task Force has produced consensus-based indicator frameworks at both project and program levels. The framework identifies process indicators, stress reduction indicators, and environmental status indicators (GEFM&E 2002b). Work on using this framework for aggregating the indicators at the program level (OP8 and OP9) is almost completed, and the program indicators framework being finalized also contains indicators for projects under OP10 (UNDP 2005a).
- The Land Degradation Task Force has prepared a paper and a series of steps to develop a set of indicators for activities related to the Land Degradation focal area (GEF 2004c).
- The development of indicators for GEF-funded impacts on pressures and behaviors affecting biodiversity is ongoing. The interagency Biodiversity Task Force is continuing its work on indicators for each biodiversity Strategic Priority (UNDP 2005a).
- The UNDP and GEF are leading the preparation of capacity development indicators, with the goal of creating a framework and model indicators for tracking capacity development results and impacts in all 22 Strategic Priorities identified in the Business Plan (UNDP 2005a).

4.5 Challenges and Strategic Tradeoffs

Several strategic tensions are associated with the will and the way for achieving and sustaining benefits, as well as with the GEF's management information systems (MIS) for tracking successes in these areas.

4.5.1 Ensuring the Will

Priorities may vary at the national and global levels. OPS3 found that global environmental priorities, as advanced by the GEF, may not necessarily be consistent with country priorities (for example, of poverty alleviation); too often, country focal points approve GEF projects that are not in line with country priorities, but are good funding opportunities to accomplish important activities. In such cases, political will and, therefore, sustainability is undermined. (See section 5.2 for more details.)

To achieve sustainable benefits, it is critical that the GEF focus on those countries where political will exists above those where it does not exist. In those countries where political will is not sufficient, efforts should be spent on building political will, not on actual projects. The RAF's consideration of a "trigger" that incorporates an assessment of "macro policy/ governance" in the country performance indicator is a step in this direction (GEF/C.25/88).

At the local level, despite the GEF's guidelines on marginalized groups and stakeholder participation, greater attention is needed to address the concerns and rights of indigenous peoples and more strongly consider gender issues in project design and implementation (particularly in rural, community-based projects).

4.5.2 Ensuring the Way

Strategic tensions are associated with resource, design, and management factors. In particular:

- *Resource factors.* To build sustainable local capacity, short-term expedience may need to be forfeited. Local stakeholders repeatedly emphasized to the OPS3 team the need for in-country consultants to be used in GEF projects, where available, to build and sustain the necessary technical capacity. Often this opportunity to build capacity is forgone in favor of international consultants who can get the job done faster, within short project timeframes (Delta Networks and Pacific Environment Consultants 2004).
- *Design factors.* A balance must be reached or tradeoffs must be made to achieve sustainable environmental and development (poverty reduction) goals within GEF projects and programs. "Win-win" gains in both development and global environmental goods are rarely possible, and project designs must recognize this. Moreover, all project designs should specifically target the key factors for achieving and sustaining benefits; by planning for sustainability from the start, the sustainability of outputs and outcomes can be improved.
- *Management factors.* Adaptive management is needed to adapt to changing circumstances and new information, but it can be difficult to work into log-frames. Adherence to log-frames helps ensure IA and EA accountability. The need for enhanced flexibility in project management has been acknowledged and attempted to be addressed, but based on field input, more work is needed in this area. (See also section 6.1.6.)

Improving Information Management

A final strategic tension concerns the GEF's information management systems in relation to the achievement and sustainability of benefits. Many efforts are taken to monitor and report on project results, but assessing sustainability requires an explicit, dedicated focus of a slightly different kind. More than outputs and outcomes, it is the *conditions* that are needed to foster sustainability that must be monitored, reported, and tracked, because it is the fragile balancing of those conditions—which are ever-changing—on which the

persistence of environmental benefits depends. Such information would provide indexes of the likelihood of sustainability for ongoing projects.

To accurately determine the extent of benefit sustainability across the entire GEF portfolio, systematic ex post monitoring of some kind is needed. Whether the GEF chooses to develop the necessary tools and indicators and devote the necessary resources to such endeavors will depend on the priority to which the GEF attributes sustainability.

4.6 Recommendations

To better assess the extent of actual or likely sustainability, OPS3 recommends the following:

- *The GEFSEC and IAs should sharpen focus on sustainability at the project level by developing indicators and standard reporting procedures.*

The multidimensional and dynamic nature of sustainability must be accounted for in GEF projects through project documentation at all stages. Project design, implementation, and evaluation should explicitly consider sustainability and report on the conditions relevant to all of its dimensions: political and local will, resource factors, design factors, and management factors. Thus, for example, project design documents should systematically address sustainability at all dimensions and include an exit strategy that is appropriate. Similarly, PIRs should systematically report not only on the level of financing received to date, but on levels of financing secured for the future, or on any efforts undertaken to secure next-phase financing; stakeholder participation should be reported in terms of how attitudes and behaviors have changed, not simply the number of workshops or meetings held. Such changes will keep the focus of project actors on the long-term goals of the project and allow them to adaptively change course as needed. Likewise, evaluators should be required, not just encouraged, to address aspects of sustainability. Biodiversity projects that require alternative livelihoods should attempt to report not just on what alternatives have been provided, but on whether those alternative livelihoods are equal to or better than people's livelihoods prior to the project. This type of information would enable the GEF to develop a better sense of likely sustainability at project end. This will require the development of sustainability indicators, as well as standard reporting templates for tracking such indicators, which should be pursued by the GEFSEC in coordination with the IAs and Focal Area Task Forces. Recent and ongoing GEF work to establish indicators can help in this area.

- *The GEF Council and OME should sharpen focus on sustainability at a higher level.*

If the GEF is serious about achieving sustainability, then more resources must be devoted to achieving it. OPS3 recommends that the GEF Council consider establishing a "sustainability team" within the OME to evaluate and promote sustainability of GEF benefits on a permanent basis. Such a team could explore sustainability indicators for use in project documents, so that ongoing projects stay on track to achieve sustainability and completed projects can be assessed based on likelihood of sustainability. In addition, the sustainability team within the OME should evaluate the longer-term impacts of GEF projects by conducting systematic ex post monitoring of random samples of projects that have been completed for several years (for example, 5 or 10 years), as is currently done by the QAG for World Bank projects and is in fact expected to be done by the OME in 2006. The sustainability team should also be responsible for the tracking and compiling of information on likely and actual sustainability achieved by the GEF portfolio at various levels of aggregation.

Based on what is known about key factors for sustainability, the following action items should also be considered to better promote the sustainability of global environmental benefits:

- *IAs should continue to enhance political will through country ownership.*

To promote greater country ownership and drivenness, more work is needed to equip countries with necessary tools and capacity. To this end, IAs should place continued emphasis on activities designed to mainstream environmental considerations at the national level and strengthen focal points. Further support is also needed to help country governments develop clear strategies and priorities for GEF funding that are transparent to other IAs, NGOs, and other sources of project concepts. (See section 5.2.4 for more information.)

- *IAs should capitalize on and build local capacity.*

IAs should require the use of local experts, with training if necessary, and ensure that capacity is not narrowly held to promote sustainable institutional and technical capacity. Where sufficient local capacity is not available, ensure that outside expertise is channeled to local entities.

- *The GEFSEC should facilitate greater financial sustainability.*

Greater financial sustainability can be promoted for activities initiated under GEF projects by assisting IAs, countries, NGOs, and other partners in procuring cofinancing for projects and other funding for postproject activities, as well as replication or scaling up. For example, the GEFSEC could maintain a clearinghouse of information on donors and their associated interests. The GEF should also continue its initiatives to develop a strategy for private sector engagement.

- *The GEFSEC should draft policy and strengthen practices regarding vulnerable groups.*

To foster sustainability, it is critical that the GEF more strongly consider the needs, rights, and concerns of indigenous groups, especially in protected area projects, where problems have been most noted. Updating the GEF to be in harmony with existing international standards and best practice on indigenous peoples and conservation (CBD decisions and work programs, IUCN guidelines, Durban Action Plan, and Durban Recommendations is the appropriate next step). Additionally, opportunities to better incorporate gender considerations into project design and implementation should be maximized by increasing knowledge sharing of project approaches that have been successful in this area, which the GEFSEC can facilitate (see section 7.2.3 for more specific recommendations on knowledge management).

5. Cross-Cutting Factors Contributing to Global Environmental Benefits

The term “catalyst” is taken from the field of chemistry, where a catalyst is a material that enhances the rate of reaction between chemical reagents to yield a higher quantity of the desired end product—catalysts are added in small quantities compared to other inputs in the reaction. In a similar way, the GEF attempts to create catalytic effects by using its limited funds to produce faster or more global environmental benefits (or both) than it could produce on its own. As is stated in its strategic considerations, the GEF finances actions that “catalyze complementary actions or have a multiplier effect.” The GEF can create catalytic impacts by increasing resources, fostering conditions, and encouraging processes that lead to the faster or greater achievement of global environmental benefits.

This chapter explores the extent to which the GEF has achieved catalytic impacts and the factors that lead to effective catalysis. Specifically, sections 5.1.1 and 5.1.2 provide a discussion on the extent of catalytic effects. Section 5.1.2 also describes the factors that influence each mechanism of catalysis singled out in the TOR.

Section 5.1.3 presents the strategic tensions related to enhancing the catalytic impacts of the GEF, and section 5.1.4 presents OPS3 recommendations.

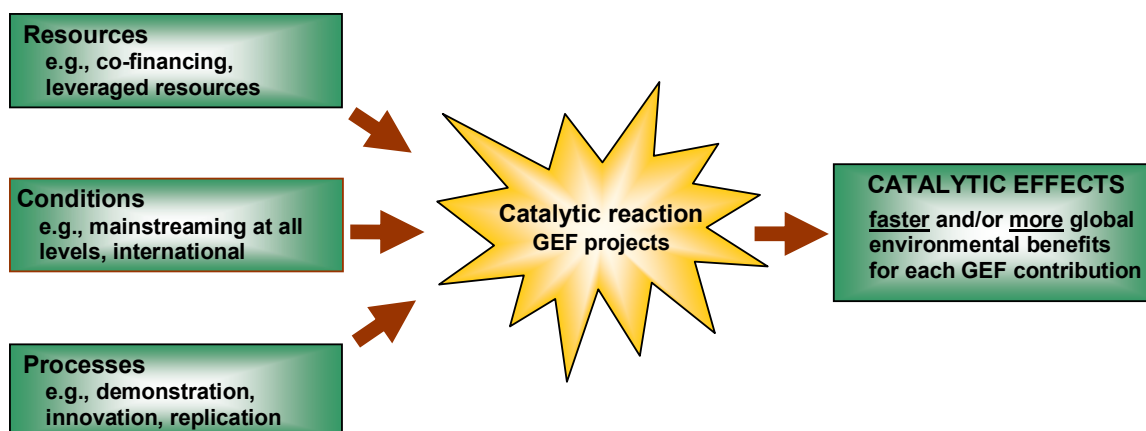
5.1 The GEF as a Catalyst (TORs 3A and 3B)

TOR 3A specifies four mechanisms for catalytic action and asks to what extent the GEF has been successful in fulfilling them: (1) leveraging additional resources from the public and private sector; (2) catalyzing results by innovation, demonstration, and replication; (3) fostering international cooperation on environmental issues; and (4) mainstreaming of environmental issues into partner institutions. These four GEF mechanisms represent categories of resources, types of conditions, and selected processes that can lead to catalytic reactions and improved effectiveness (that is, faster or more global environmental benefits than could be realized through GEF alone). In particular, leveraging is a way for the GEF to augment resources; international cooperation and mainstreaming are ways for the GEF to foster favorable conditions; and innovation, demonstration, and replication are ways for the GEF to create processes—all of which, if successful, can produce the desired catalytic effects, as shown in exhibit 32.

Before presenting the historical context and current evidence, a brief introduction on each of these four areas that can potentially lead to catalytic effects is provided.

Leveraging refers to the amplification of resources or, more specifically, to the GEF’s ability to attract cofinancing from public and private sectors, as well as other resources that are beyond those committed to the project itself. The terms “cofinancing” and “leveraged resources” are defined in “GEF Operational Policies, Templates and Guidelines: Annex C—Co-financing Policy for GEF Projects” (GEF 2004d). Accordingly, cofinancing is “the project resources that are committed by the GEF agency itself or by other non-GEF sources and which are essential for meeting the GEF project objectives,” and leveraged resources are “additional resources—beyond those committed to the project itself—that are mobilized later as a direct result of the project, e.g., for further replication or through programmatic influence.” One aspect of cofinancing and leveraging that has received increasing attention in the GEF in recent years is the extent of private sector involvement. According to a recent report of the OME (GEF/C.23/3), two GEF Council papers developed in the late 1990s laid down some essential objectives and principles related to private sector involvement, outlining that the GEF would provide incentives to private sector entrepreneurs to invest in ventures designed to create global environmental benefits, and support activities to help make policy and regulatory frameworks conducive to more environmentally sound private sector investments. These documents, however, did not specify several critical issues, such as the objectives of engaging the private sector, the use of appropriate modalities of support, or the GEF policy on risk sharing. These issues remain to be resolved.

Exhibit 32. GEF Mechanisms for Producing Catalytic Effects



Innovation, demonstration, and replication are processes that can foster catalytic impacts. Specifically, successful environmental innovations proven through demonstration, be they technologies or approaches, can serve as a mechanism for catalysis by reducing the private risk for others and thereby paving the way for increased adoption—or replication. According to the OME (OME 2005. “Global Environment Facility Guidelines for IAs to conduct Terminal Evaluations.” March 2005), replication is defined as “lessons and experiences coming out of the project that are replicated or scaled up in the design and implementation of other projects.” Replication can have two aspects: (1) replication proper, when lessons and experiences are replicated in different geographic areas, or (2) scaling up, when lessons and experiences are replicated within the same geographic area but funded by other sources. Examples of replication include knowledge transfer, including the dissemination of lessons through project result documents, training workshops, information exchange, national and regional forums, and so forth; expansion of demonstration projects; capacity building and training of individuals and institutions to expand projects’ achievements in the country or other regions; and the use of project-trained individuals, institutions, or companies to replicate projects’ outcomes in other regions (GEF 2005).

International cooperation is a condition that can produce catalytic impacts by leading to continued action once GEF funding has come to an end. Indeed, the GEF’s strategic considerations state that the GEF is to “examine the role it might play in facilitating and promoting international cooperation, thereby leveraging GEF financing to address global environmental objectives in a multi-country and multi-actor context.”

Mainstreaming is another condition that can produce catalytic impacts through the integration of environmental considerations into operations—be they IAs, EAs, or national governments. In this section, OPS3 primarily focuses on mainstreaming at the national level, which broadly refers to the mainstreaming of environmental issues into economic sectors and development strategies, programs, and policies. More specifically, mainstreaming can mean different things across focal areas, as implied by the areas recommended by the OME for assessing mainstreaming (GEF 2005). In particular, mainstreaming in the Biodiversity focal area entails the improvement of enabling environments through adopting effective policies, building institutional capacity, increasing public awareness, appropriately involving stakeholders, promoting conservation and sustainable use research, providing incentives for conservation, and the like; mainstreaming in the Climate Change focal area entails the transformation of markets through enabling policy environments, disseminating information, and promoting awareness; and mainstreaming in the International Waters focal area entails assisting countries in developing policy, legal, and institutional frameworks to address transboundary stresses. Successful mainstreaming leads to catalytic effects as the environment is considered in decisions that affect a country’s broader economic and sociopolitical landscape, thus producing additional environmental benefits in the near and long terms. Successful mainstreaming requires political will, as discussed in detail in section 4.4.2.

The remainder of this section presents the historical context and current evidence related to the extent of catalytic impacts achieved by the GEF.

5.1.1 Historical Context

Within the GEF’s 1996 Operational Strategy, Operational Principle 9 most directly addresses the desired catalytic role of GEF—it states: “In seeking global environmental benefits, the GEF will emphasize its catalytic role and leverage funding from other sources.” Other approaches to a catalyst role are mentioned in the strategy, including a strategic consideration to “facilitate effective responses by other entities to address global environmental issues.” To address these strategic considerations, the GEF planned to encourage involvement of both government and private sector agencies to achieve global environmental benefits and leverage additional financing through the private sector, the promotion of international cooperation, the encouragement of cofinancing from organizations and foundations, and the support of innovative financing approaches that will meet recurring project costs. Although very finance-centered in this 1996 expression, the

catalytic factors of leveraging, mainstreaming, and fostering international cooperation were all recognized early.

A number of GEF studies have documented the historical success realized and challenges faced by the GEF in achieving catalytic impacts, including OPS1 and OPS2. The highlights of these reports are presented below, by catalytic component:

Leveraging

OPS2 found that that most private sector involvement in the GEF had been in transitional economies, many opportunities remained unexploited, and many barriers prevented a wider engagement of the private sector. To remedy this, OPS2 recommended that clear guidelines be developed on new modalities for private sector involvement. In May 2002, the GEF Council requested the GEFSEC to prepare a private sector strategy, and a review of private sector engagement was initiated at the end of 2002 by the GEFM&E.

In terms of cofinancing, OPS2 found that “opportunities to leverage GEF funds in ways that could mobilize large amounts of additional private capital resources, especially for high-risk, but potentially commercially viable projects in the climate change portfolio were not adequately pursued” (GEFM&E 2002d). To improve cofinancing levels, OPS2 suggested that each IA and EA explicitly describe in project documents how it will be accountable for bringing a significant level of total cofinancing into each new project. Moreover, OPS2 found that the database for reporting on cofinancing was weak, in part because there was no clearly articulated or well-accepted definition of the term “cofinancing” and in part because cofinancing commitments are not monitored systematically. Overall, OPS2 described cofinancing levels as “surprisingly modest, particularly since only a few projects account for most of the total cofinancing generated under the completed projects.”

In terms of the private sector, involvement in the GEF has historically been most common in one of three forms: (1) as a supplier, advisor, or both to GEF-funded projects; (2) in cofinancing arrangements and as a recipient of grant and nongrant GEF financing; and (3) as the intended beneficiary of barrier removal for private sector activities in environmental markets in developing countries, such as renewable energy (GEF/C.22/Inf.10).

Innovation, Demonstration, and Replication

OPS1 suggested a study be conducted on the replicability of GEF projects (GEF/A.1/4). OPS2 was cautious in its assessment of replication, noting that “[i]t is difficult to ascertain the extent of replication since it is not being systematically monitored in the GEF.” Yet, OPS2 found some encouraging evidence from completed and ongoing projects. For example, in the Biodiversity focal area, a number of GEF projects attracted the positive attention of governments, conservationists, and local populations, which led to some replication of project activities elsewhere.

International Cooperation

OPS2 noted the important role of TDAs and SAPs in facilitating international agreements to protect international waters, that is, promoting international cooperation.

Mainstreaming

OPS1 focused on mainstreaming at the IA level, noting various areas for improvement for each IA. Four years later, OPS2 found that all three IAs had “made reasonable efforts to mainstream *global* environmental issues into their operational programs,” and noted that the two development assistance agencies, the UNDP and the World Bank, had made significant progress in “helping countries assess *national* and *local*

environmental issues and establish national and local priorities in national development strategies, programs, and projects.”

At the country level, OPS2 found that many ministries showed awareness of global environmental issues at the national level. In addition, OPS2 found that GEF projects resulted in increased awareness and knowledge at the local or regional level or both—which can help foster mainstreaming at the national level (as discussed in more detail further on). Indeed, OPS2 found that biodiversity projects created increased conservation awareness and understanding among various stakeholders, including local communities, NGOs, decision makers, and political leadership; that land degradation projects resulted in increased awareness at the community level; and that, through the process of conducting TDAs and developing SAPs, international waters projects have been “instrumental” in advancing local and regional knowledge related to various water systems.

Earlier studies have also found evidence of successful mainstreaming from GEF projects. In particular, the “Interim Assessment of Biodiversity Enabling Activities, Evaluation Report #2-99” (GEFM&E 1999b) found that some biodiversity enabling activities had successfully promoted the establishment of new institutional arrangements and raised the profile of biodiversity within government.

5.1.2 Current Evidence

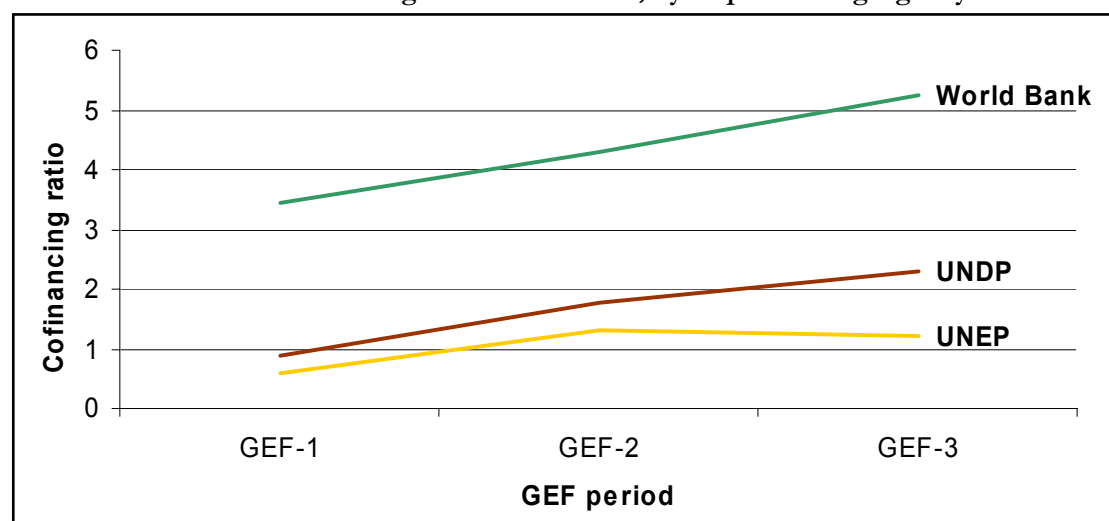
Since OPS2, a number of actions have been taken to sharpen the GEF focus on catalysis. For example, many of the Strategic Priorities established for focal areas specifically target mechanisms for catalytic effects, such as:

- BD-2, Mainstreaming Biodiversity in Production Landscapes and Sectors
- CC-2, Increased Access to Local Sources of Financing for Renewable Energy and Energy Efficiency
- CC-5, Global Market Aggregation and National Innovation for Emerging Technologies
- IW-1, Catalyzing Financial Resources for Implementation of Agreed Actions
- IW-2, Expand Global Coverage with Capacity Building Foundational Work (to facilitate initial multicountry collaboration)
- IW-3, Undertake Innovative Demonstrations for Reducing Contaminants and Addressing Water Scarcity
- POP-3, Demonstration of Innovative and Cost-Effective Technologies
- SLM-2, Implementation of Innovative and Indigenous Sustainable Land Management Practices

In addition, several Strategic Priorities target capacity building (for example, BD-3, POP-1, CB-1, CB-2), the dissemination of best practices (for example, BD-4), market transformation (for example, CC-1), and policy and regulatory reforms (for example, CC-3, POP-2)—all of which are aspects of mechanisms for catalytic effects and are discussed below.

Leveraging: Extent

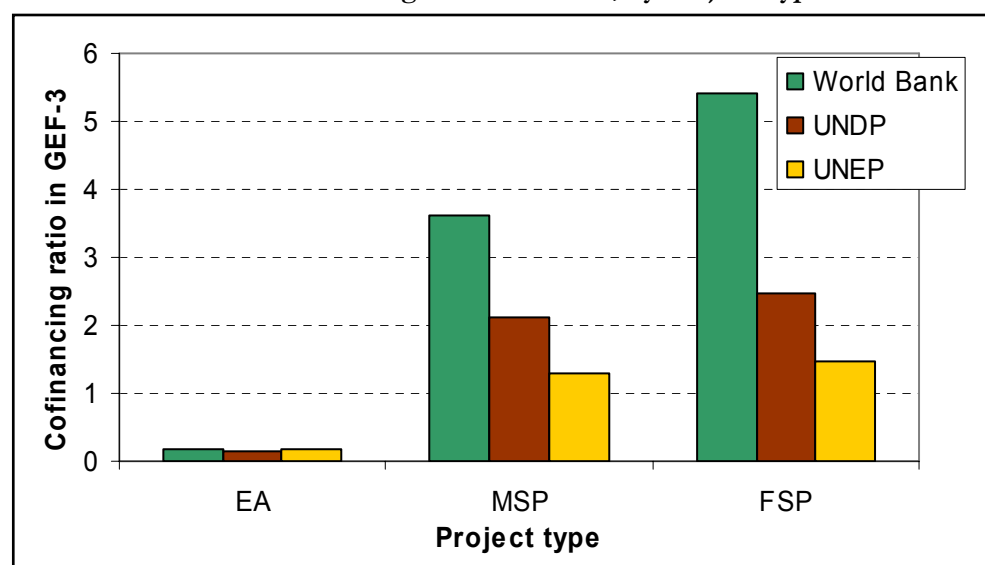
The GEF maintains a robust dataset on planned cofinancing, based on which trends can be analyzed. Exhibits 33 and 34 present data on planned⁸ cofinancing, as of March 2005. All data presented here exclude cofinancing levels for projects implemented jointly by IAs.

Exhibit 33. Planned Cofinancing Ratios over Time, by Implementing Agency^a

a. Excludes projects implemented jointly by IAs.

Source: GEF Project Management Information System, accessed March 2005.

As shown in exhibit 35 the World Bank is responsible for attracting the lion's share of cofinancing, representing more than 60 percent of the planned cofinancing raised in GEF-3 and approximately 80 percent since the GEF's inception. This is expected, given the World Bank's comparative advantage relative to the UN agencies in macroeconomic and private sector strategies.⁹ Moreover, the UNEP and, to a lesser extent, the UNDP do not have the ability to provide their own cofinancing (a reflection of tight UN budgets) and also have fewer opportunities than the World Bank to secure bilateral contributions, as a result of limited human resources and financial leverage.

Exhibit 34. Planned Cofinancing Ratio in GEF 3, by Project Type^a

a. Excludes projects implemented jointly by IAs.

Source: GEF Project Management Information System, accessed March 2005.

Exhibit 35. Planned Cofinancing Dollars and Percentages, by IA^a

IA	GEF-1		GEF-2		GEF-3		Total	
	US\$ (millions)	Percent	US\$ (millions)	Percent	US\$ (millions)	Percent	US\$ (millions)	Percent
World Bank	\$1,452	81%	\$8,182	87%	\$2,254	63%	\$11,890	80%
UNDP	\$ 310	17%	\$1,058	11%	\$1,149	32%	\$ 2,518	17%
UNEP	\$ 28	2%	\$ 173	2%	\$ 180	5%	\$ 381	3%
Total	\$1,790		\$9,413		\$3,583		\$14,788	

a. Excludes projects implemented jointly by IAs.

Source: GEF Project Management Information System, accessed March 2005.

As presented in exhibit 33, however, planned cofinancing ratios have been increasing among all IAs over time, with the exception of the UNEP (which is flat between GEF-2 and GEF-3) in recent years. Growing cofinancing ratios suggest that the GEF's catalytic effects are increasing over time. In addition, this overall trend supports the GEFM&E finding that competence on business finance matters has increased in the UNDP and UNEP (GEF/C.23/3).

Exhibit 34 demonstrates that IAs leverage nearly equal ratios of cofinancing for enabling activities, and the greatest disparity in terms of IA cofinancing ratios is in the FSPs. The World Bank's lead in raising cofinancing for FSPs can be explained by the fact that the Bank specializes in financing large projects.

Although data on planned cofinancing are readily available, it is difficult to determine with certainty what the actual extent of leveraging is, given that current GEF information management systems do not systematically track actual cofinancing amounts or leveraged resources. Numerous studies have noted the need for better tracking of leveraged resources and more systematic reporting on indicators of investments, so that the GEF can monitor its performance in these areas.¹⁰ Indeed, not only does the GEF lack a system to compile and track these data across its portfolio, but also the information is not readily available on a project-by-project basis. Currently, individual IA TEs are very weak in terms of presenting actual project costs and cofinancing—especially those prepared by the UNDP and UNEP; according to the OME, only one of six (17 percent) UNDP reports and two of nine (22 percent) UNEP reports prepared in fiscal 2004 included a satisfactory presentation of the actual project costs and cofinancing.¹¹ Conversely, 8 of 11 (73 percent) World Bank ICRs prepared in fiscal 2004 reported satisfactorily on actual project costs and cofinancing used (GEF/ME/C.25/1).

OPS3 also reviewed the TEs from fiscal 2004 and found that reporting on leveraging was not only inconsistent in terms of the quality, quantity, and presentation of data, but that there is usually no clear distinction made between what constitutes “cofinancing” versus “other leveraged resources.” It is apparent that additional guidance is needed for the preparation of TEs.

Of course, how planned cofinancing levels compare with actual levels is of great importance. The 2002 PPR stated that, among specially managed projects review projects, actual cofinancing exceeded the estimates at project approval. Conversely, according to the UNEP's PIRs, as summarized in the 2003 PPR, actual levels of cofinancing and leverage for the five projects that were subject to mid-term review or terminal review during fiscal 2003 represented roughly 89 percent of proposed cofinancing levels (GEF/ME/C.24/2). Of course, the small size of this sample limits the extent to which any findings can be extrapolated to the rest of the GEF portfolio.

In terms of nonfinancial *leveraging*, however, GEF partners have brought a wealth of value to GEF projects in the form of technical expertise, management capacity, equipment and technology, and other in-kind contributions. GEF partners have included NGOs, government agencies, regional and national institutions,

IAs and EAs, and private sector entities. Partnerships can lead to continuing activity by partners once GEF support ends (that is, financial sustainability), as has often been the case with government partners. Indeed, OPS3 found evidence of GEF projects that led to government commitment and resources (staff and budget) to continue activities and support replication in multiple localities.¹² Similarly, OPS3 found evidence of new partners being brought on board in large phased programs, such as the multi-focal area GEF-China partnership on land degradation in dryland ecosystems, developed by the ADB with the Chinese government. This US\$1.5 billion project, of which the GEF will contribute US\$150 million, will receive financial support from multilateral and bilateral partners after the initial project phase (focused on technical and institutional capacity building and development of appropriate legal frameworks).¹³ This and other in-kind contributions and partnerships with the scientific, academic, industrial, and NGO communities have demonstrated that the GEF possesses great catalytic power to create momentum for others to build on.

Partnerships involving the private sector have not been as numerous or catalytic as desirable. According to the 2004 GEFM&E report, as of June 30, 2002, only 60 (10 percent) of the 621 regular and medium-size GEF projects under implementation involved cooperation with the private sector beyond procurement of goods and services (GEF/C.23/3). Moreover, the private sector's role in cofinancing has also been weak, with approximately 87 percent of the total cofunding committed to these projects (US\$2.138 million) having been proposed to come from donor organizations, recipient governments, and other public sector sources. In fact, private sector cofinancing—which totaled US\$391 million—was proposed for only about 20 projects (3 percent of projects) (GEF/C.23/3). In an earlier informational report prepared by the GEFM&E (GEF/C.22/Inf.10), it was reported that the majority of GEF private sector activities had been in the Climate Change focal area, with a smaller number in Biodiversity, and even fewer in International Waters. Such activities included projects in renewable energy, energy efficiency, ecotourism, commodity-based agroforestry, and payment for environmental services (GEF/C.22/Inf.10).

One example of an effective strategy for the GEF in catalyzing participation by the private sector is the UNEP-supported geothermal energy development project in Kenya. In this project, the GEF helped introduce new technologies and practices so that the electricity-generating company could drastically lower its prospecting and development costs for geothermal energy, thereby lowering the overall costs of developing this new source of renewable energy. This capacity-building project has resulted in substantially lowering the technical and financial risk associated with developing new sources of electricity generation, which could be a key element in obtaining further private investment in renewable energy development in Kenya. This project is an example of the GEF's ability to target fairly limited resources in an area where there is specific technical, financial, or other risk that is preventing independent market-driven action, and where the GEF role could be limited, cost effective, and catalytic. Further, by demonstrating the value of this approach and lowering the financial risk for other players in the market, this project is an example of how successful innovation and demonstration can lead to replication. Indeed, this approach could be highly replicable across the Rift Valley region, where similar untapped sources of geothermal energy are present.

Overall, a 2004 GEFM&E report found that it is not possible to draw a firm conclusion about the degree to which GEF projects have been successful in leveraging private sector financial risk taking, given that the term “leveraged funding” has not been well defined in the context of private sector investments and that reporting on leveraging has not been systematic (GEF/C.23/3). In particular, although cofunding is mostly decided at the stage of GEF allocation, contributions by the private sector (including investments related to the GEF project objectives by financial intermediaries, equity investments, and so on) are sometimes decided at later stages and are considered to be “leveraged funding” (GEF/C.23/3). As discussed before, the OPS3 review of the 25 projects for which TEs were prepared in fiscal 2004 demonstrated the wide variation in financial reporting and the difficulty in discerning what constitutes actual “cofinancing” versus other “leveraged resources.”

In recent years, GEF entities have explored the development of a more targeted approach to engage the private sector. For example, in April 2004, the OME released an information paper, “Review of GEF

Engagement with the Private Sector” (GEF/C.23/Inf.4). In response to this report, GEF management requested the GEFSEC to better articulate a private sector strategy, in collaboration with the IAs and EAs and in consultation with private sector stakeholders. Discussion is ongoing on this issue, but a clear, focused GEF strategy for engaging the private sector is not yet in sight—and until such a strategy is defined, opportunities will be lost.

Leveraging: Factors

The high cofinancing levels raised by the World Bank have been made possible because, as a bank, it can both provide and attract large sums of financing. However, it should be emphasized that larger amounts of financing do not necessarily in themselves lead to positive catalytic effects in the environment. Indeed, evidence suggests that GEF financing in World Bank projects is often used to augment other funds already committed to projects, which would go forward with or without GEF contributions. In such projects, GEF funds typically account for a small proportion of the overall budget and may translate into a less influential role for the GEF (and its mission for sustainable global environmental benefits). Conversely, when the GEF “leads” by providing a more significant share of project budgets, it can demand more.

One aspect of leveraging in which the GEF has been weak is involvement of the private sector. A number of recent GEF studies suggest that several factors must be addressed to enhance private sector engagement—the most notable of which is appropriate operational modalities, which need to be more expedient, flexible, and innovative to better meet the needs of the private sector. According to a November 2003 report submitted to the GEF Council, GEF decision-making processes and management culture need to be less complex, less difficult, and less lengthy, to better match private sector practices. The report found that experimentation with innovative modalities, with increased flexibility and less reliance on precedence and procedure, is needed to allow the GEF to better identify and exploit new possibilities. Modifying the GEF’s operational modalities in these ways will require shifts in the GEF’s perceptions of and commitment to the private sector, such that they can be viewed as a key partner (GEF/C.22/Inf.10). For example, GEF’s commitment may require additional staff expertise in the financial area to address loan and risk guarantee modalities, which have been seldom used (GEF/C.23/Inf.4).

The OPS3 team concurs with the above findings. Indeed, the OPS3 team learned of a number of lost opportunities for private sector partnerships due to the need to secure cofinancing commitments prior to project approvals (rather than once projects are under way) and the long time lags between project submittal and approval, which are incompatible with business decision time frames. Country focal points, NGOs, IA representatives, and project staff in a number of countries noted the need for more flexibility in cofinancing requirements and accounting to address these issues. Additional analysis is needed to better understand how the timing of cofinancing commitments affects actual cofinancing received. In particular, if cofinancing is committed once the project is under way instead of prior to approval, it is worth studying whether actual cofinancing is closer to the amount committed, actual cofinancing tends to represent a higher proportion of overall project funding, or both. Based on what the OPS3 team heard in the field, it is speculated that greater amounts of cofinancing that are closer to planned amounts may be delivered if commitments are made once projects are under way (when funders can consider a real project) versus prior to project approval (when funders must consider projects in the abstract). Moreover, the OPS3 team was told by country focal points that lengthy project approval time frames (on the order of several years) may cause potential funders to lose trust or interest in projects, given the lack of transparency and predictability associated with the approval process or shifts in political will as national budget priorities or political regimes change.

In addition, awareness and understanding of the GEF is another factor that influences private sector engagement. OPS3 field visits revealed that visibility of the GEF among the private sector is extremely low. Moreover, those private entities that do know about the GEF have had difficulties learning the “GEF language” and understanding what procedures must be followed to operate within the GEF mechanism.

There is a need for greater emphasis on communication and outreach efforts vis-à-vis the private sector and for a simplified, streamlined approach to facilitate private sector involvement.

OPS3 found that more appropriate operational modalities are needed not just for the private sector, but for the public sector as well, if cofinancing and leveraged resources are to be maximized. In particular, the OPS3 team heard from country focal points in the regional workshops that the time lag between project design and approval is often longer than government budget cycles, which can make donors less willing or able to commit to GEF projects. Similarly, OPS3 heard from NGOs in the regional workshops that the long project cycles are in conflict with their shorter planning and budgeting cycles.

OPS3 field studies also uncovered a number of other issues and barriers regarding cofinancing. In particular, meeting cofinancing requirements can be difficult, especially for LDCs and SIDS, where resources are not available to commit to GEF projects, as discussed further in section 5.3. Moreover, cofinancing can lead to project implementation delay or political conflict, as evidenced by one biodiversity project in Argentina. In this project, political tensions (and hence, project delay) resulted because GEF cofinancing was secured in the form of a large land purchase (for conservation) by a foreign private investor.

Finally, another factor for leveraging resources is the ability to identify and secure potential funders or partners for in-kind support. The more partnerships the GEF can foster with civil society, NGOs, the private sector, academia, governments, and so forth, the more resources will be devoted to the cause, and the greater the potential for catalytic effects. Stakeholders expressed the need for assistance in this area, noting that the GEF's international reach and contact network goes far beyond those of individual countries or project and program proponents. The GEF could help catalyze further leveraging by playing a greater role in matching funders or partners with projects, as appropriate.

Currently, the GEF database is not robust enough to explore the extent to which different types of leveraging (for example, in-kind resources, additional grants or gifts, loans, and so on) have produced catalytic effects and how different factors influence different types of leveraging in different ways. Such analyses, if data become available, would be worthwhile.

Innovation, Demonstration, and Replication: Extent

Development and demonstration of innovative technologies and methodologies that lead to replication is a critical component of catalysis in the GEF. Although replication is not equally applicable to all projects in the GEF portfolio, many GEF projects have replication as one of their objectives or activities. For example, replicability is highly relevant in the climate change sector, such as for energy-efficient product market transformations. Indeed, for such projects, the replication of outcomes is often the goal, which signals that market barriers have been removed. Likewise, as recognized in the GEF Business Plan for fiscal 2004/06, replication in the Biodiversity focal area can be critical to move conservation beyond protected areas and into production landscapes and sectors.

The OPS3 team found evidence of innovation, demonstration, and replication in a number of exciting projects, including an SGP rural tourism project in Costa Rica, where as many as 24 community-based ecotourism projects were stimulated with the help of GEF funds. The project's success may lead to yet further replication because the approach may be adopted in neighboring countries (see textbox). Likewise, the GEF-UNDP Biomass Power Generation project in Brazil helped support analytical work and technology development of biomass-gasifier and gas turbine power plant technology with sugarcane-derived biomass as fuel, to reduce the use of fossil fuels and associated emissions of carbon dioxide. The project did not lead to the commercialization of the technology because of cost-effectiveness issues, but it did compel some mill managers to begin using sugarcane waste for energy. Moreover, the project contributed significantly to capacity development at the Copersucar Technology Center in Brazil and across a wide range of stakeholders, including government agencies, private industry, universities, and NGOs (GEFM&E 2004i).

Catalytic Effects through Innovation, Demonstration, and Replication in Costa Rica

The SGP project to develop the Costa Rica *Asociación Costarricense de Turismo Rural Comunitario* (ACTUAR) has produced notable catalytic effects. Established in 2001 to promote rural community tourism initiatives, by the time of the OPS3 field visit to Costa Rica in January 2005, the project had helped ACTUAR to:

- Create a network of more than 24 rural community tourism initiatives and position them as a national rural community tourism association
- Become a founding member of the Rural Tourism Alliance and help politically position the organization
- Develop new, alternative tourism activities and destinations
- Develop a promotion plan
- Create commercial alliances with national and international agencies
- Train affiliates in best environmental practices

These activities have led to increased environmental awareness among local communities, entities within the country, and international travelers. Moreover, local livelihoods now rely on environmental preservation for success, ensuring that current and future pressures on the surrounding natural resources will be minimized.

Before ACTUAR, there was no market for rural- or community-based tourism in Costa Rica. ACTUAR's promotion of this new form of tourism has added a distinct and important element to the industry, and it is being increasingly promoted by travel agencies in developed countries. The innovation, demonstration, and replication (scaling up) of this approach in 24 communities illustrate the GEF's ability to stimulate catalytic effects. Moreover, the catalytic impacts of this project may prove to be yet greater as neighboring countries have expressed interest in developing rural, community-based, and ecotourism industries in their own countries, in hopes of replicating Costa Rica's economic success.

However, although OPS3 and previous GEF studies have documented successful examples of replication throughout the GEF portfolio, a thorough assessment of the extent to which replication is (or is not) occurring is not possible, given the lack of comprehensive data on this topic. Currently, OME guidelines suggest that TEs for biodiversity and climate change projects report on the project's "contribution to replication or scaling up of innovative practices or mechanisms that support the project objectives." For international waters projects that involve demonstrations, OME guidance also suggests that TEs report on evidence of successful or likely replication and assess whether demonstration selection was conducive to future replication (GEFM&E 2005). But project documents do not systematically report on replication, and the GEF database does not systematically track any data on replication across the portfolio.

Based on a review of the 25 TEs prepared in fiscal 2004 by the OPS3 team, 8 (32 percent) reports included actual ratings for replication, and an additional 11 (44 percent) included qualitative descriptions regarding actual or potential replication. The remaining 6 (24 percent) did not provide any qualitative or quantitative information on replication. Fortunately, all but one of the eight reports that rated replication scored "good" or better (with one scoring "very good," and four scoring "excellent"). These findings are summarized in exhibit 36.

Inconsistent reporting is just one barrier to measuring the extent to which the GEF has stimulated replication, and other barriers exist. First, like the concept of sustainability, replication is difficult to operationally define and track, in part because it is often observed after project completion. Moreover, no indicators or metrics are available by which to systematically assess replication in most focal areas and project types within focal areas.

Some progress has been made in this area. The Biodiversity Task Force has developed a tracking tool for the GEF Biodiversity focal area Strategic Priority 2 (Mainstreaming Biodiversity in Production Landscapes and Sectors). This tool is essentially a standard template or reporting form in which project managers must evaluate progress in achieving impact targets, one of which includes targets on replication through the use of "positive incentive measures and instruments" (for example, trust funds, payments for environmental services, certification). Specifically, the reporting form requests information on "the number of replications reported and verified through projects that apply incentive measures and instruments...within and beyond

Exhibit 36. Replication Ratings for 25 Projects with TEs in Fiscal 2004

Project name	IA	Replication rating
Bhutan, Integrated Management of Jigme Dorji National Park	UNDP	Fair
Bulgaria, Energy Efficiency Strategy to Mitigate GHG Emissions Energy Efficiency Zone in the City of Gabrovo	UNDP	NR
Georgia, Conservation of Arid and Semi-Arid Ecosystems in the Caucasus	UNDP	NR
Regional, Implementation of the SAP for the Red Sea and Gulf of Aden	UNDP	NR
Uruguay, Consolidation of the Bañados del Este Biosphere Reserve	UNDP	NR
Madagascar, The Environment Program Phase II Project (Environment Program Support Project)	UNDP–World Bank	NR
China, Lop Nur Nature Sanctuary Biodiversity Conservation Project	UNEP	Excellent
Global, Development of Best Practices and Dissemination of Lessons Learned for Dealing with the Global Problem of Alien Invasive Species that Threaten Biological Diversity	UNEP	Excellent
Global, Promoting Best Practices for Conservation and Sustainable Use of Biodiversity of Global Significance in Arid and Semi-Arid Zones	UNEP	Very good
Global, Regionally Based Assessment of Persistent Toxic Substances	UNEP	Good/satisfactory
Global, Support to the Implementation of the Stockholm Convention on POPs	UNEP	Excellent/highly satisfactory
Kenya, Lake Baringo Community-Based Integrated Land and Water Management Project	UNEP	Good
Regional, An Indicator Model for Dryland Ecosystems in Latin America	UNEP	Excellent
Regional, Development and Protection of the Coastal and Marine Environment in Sub-Saharan Africa	UNEP	NR
Regional, Initiating Early Phaseout of Methyl Bromide in Countries with Economies in Transition through Awareness Raising, Policy Development, and Demonstration and Training Activities	UNEP	ND
Cameroon, Biodiversity Conservation and Management	World Bank	ND
China, Sichuan Gas Transmission and Distribution Rehabilitation	World Bank	ND
Indonesia, Solar Home Systems	World Bank	ND
Mexico, Protected Areas Program	World Bank	NR
Mozambique, Transfrontier Conservation Areas Pilot and Institutional Strengthening Project	World Bank	NR
Philippines, Conservation of Priority Protected Areas	World Bank	ND
Regional, Organisation of Eastern Caribbean States Ship-Generated Waste Management	World Bank	ND
Regional, Water and Environmental Management Project in the Aral Sea Basin	World Bank	NR
Republic of Croatia, Kopacki Rit Wetland Management Project	World Bank	NR
Russia, Biodiversity Conservation Project	World Bank	NR

ND no data provided, including rating or qualitative information; NR no rating available, only qualitative information was provided.

project boundaries.” The reporting form is now required for all biodiversity projects in Strategic Priority 2 that are approved under GEF-3, and it must be completed three times during a project’s life: at work program inclusion, project mid-term, and project completion. Information from each project will be aggregated for portfolio-level analysis, and progress toward meeting targets and performance indicators will be published annually. The tracking tool will be used through June 2006, at which time feedback will be sought from the users of the tool to refine it for application during GEF-4 (GEF 2004b). This standardization and systematic collection of data is a positive step for the GEF.

Innovation, Demonstration, and Replication: Factors

For innovation to foster catalytic effects, several factors are required. First, the innovation must demonstrate a relative advantage over the baseline technologies or approaches otherwise used. If the innovation is proven successful and economically viable through demonstration, then others are likely to adopt it because their private risk is reduced. To have a successful innovation replicated, then, depends on the extent of knowledge and information sharing to get the word out about how the innovation works and where (and in what conditions) it can be applied.¹⁴ In the case of technologies, such as renewable energy projects, replication or scaling-up often depends on the degree of access, as dictated by affordability. All of these factors are important if innovations are to be adopted quickly and widely to generate catalytic global environmental benefits.

As recognized by the GEFSEC, IAs, and the OME, there is no single project design blueprint that can be applied within or across focal areas to ensure that replication occurs, given the incredible diversity of cultural, social, economic, and biological systems within which GEF projects are implemented, as well as the variation in project types within each focal area (GEF/ME/C.24/2). However, one somewhat “generic” factor that can influence replication across all focal areas is knowledge sharing, or the dissemination of information about proven innovations or successful demonstrations that can be replicated elsewhere, in other appropriate locales. Effective communication and active promotion of such successes is important for magnifying GEF successes throughout the world.

Currently, a number of vehicles are in place to foster knowledge sharing as a mechanism for the replication of successful innovations and demonstrations through GEF projects. For example, Strategic Priority 4 in the Biodiversity focal area (Dissemination of Best Practices) directly targets this, as have a number of GEF newsletter issues¹⁵ and annual PPRs.¹⁶ Likewise, OP12 (Integrated Ecosystem Management) provides scope for “documentation and dissemination of experience to facilitate replication,” as well as “thematic reviews to document and disseminate broader lessons learned and good practices to encourage replication” (GEF/ME/C.25/5). At the IA level, a number of systems have been implemented to share information (for example, the UNDP-GEF portal, UNEP.net, and so on), and various workshops and seminars have been held at the intra-agency or focal area level. OPS3 found some evidence of ad hoc interagency efforts made to share lessons learned in some countries (for example, Brazil). What is missing, however, is a cohesive, systematic sharing of information and active promotion of successes across all GEF entities with equal access and a view toward compatibility and alignment of systems.

Another “generic” factor that can influence potential replication of successful innovations and demonstrations, as noted in the 2003 PPR, is the inclusion of replication strategies in project design, where relevant. To date, the development of replication strategies has often been overlooked during project design and implementation (GEF/ME/C.24/2; GEF/C.23/3). Currently, project review criteria include only general principles that may increase the likelihood of replication—such as cost effectiveness or integration of project interventions into wider processes outside the project boundary—without requiring specific blueprints to ensure that replication occurs. Moreover, OPS3 and other recent GEF studies have found that even the concept of replication is not entirely clear (GEF/ME/C.24/2; GEF/C.23/3).

In recognition of the technical nature of developing replication guidelines, the OME and the GEFSEC have agreed that the most effective way to further define the project review criteria of replication would be to

engage the Focal Area Task Forces to refine and adapt criteria to each focal area and, as necessary, to project types within each focal area (GEF/ME/C.24/2).

The distinction made by the OME and the GEFSEC that criteria for replication are specific to focal area and project types underscores that factors that influence replicability are also distinct by focal area and project type. Of course, replication is also often specific to geography, with cultural and ecological differences requiring different approaches and solutions. A better understanding of the factors that lead to replicability by focal area and project type should be made possible pending the development of project review criteria by focal area Task Forces, as is currently underway (GEF/ME/C.24/2).

In addition, the relationship between replicability and project size—if in fact one exists—may be worth further study. The OPS3 team heard anecdotal evidence from several groups of stakeholders, including IA country office representatives, and other project proponents, that SGP projects are more replicable than larger projects because their lower cost makes them easier to adopt in other places. However, without a robust set of data on replication, no firm conclusions can be drawn.

International Cooperation: Extent

International waters projects often aim to foster international cooperation via agreements or the creation or strengthening of international commissions. The GEF can “be seen as a major, or possibly the major, facilitator of the implementation, and increased adoption, of international water laws, action plans, and regional environmental protection agreements” (GEFM&E 2002a). Indeed, “Contributions to Global and Regional Agreements: Review of GEF International Waters Program” documented GEF support for strengthening several basin organizations and the regional seas conventions to address transboundary issues, noting that the GEF has been “instrumental in advancing new multicountry agreements for the management of shared water bodies” (GEFM&E 2002a). This GEFM&E report, as well as IWPS2004, provides multiple examples of how the GEF has indeed fostered international cooperation in this focal area.

However, in spite of some successes, the review also indicated that some multicountry agreements in the environmental arena are weak, and the GEF should work to strengthen them (GEFM&E 2002a). Further, the study found that the related institutions are often limited to advisory functions as a result of political and financial weakness and a lack of interministerial committees at national levels. In particular, the GEF has been able to achieve success in fostering international cooperation in the international waters area, but expectations should be tempered based on local political conditions and international relations.

Of course, not only international waters projects target international cooperation. A number of other multicountry (that is, regional or global) GEF projects target this goal as a means to achieving global environmental benefits. One such project, explored through OPS3 field visits, is the regional biodiversity project Establishment of a Programme for the Consolidation of the Meso-American Biological Corridor (MBC). This US\$10.9 million project approved by the GEF Council in 1997 involves Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Panama, and it aims to enhance the conservation of biodiversity in Central America and southern Mexico. The MBC, which was established by the presidents of the seven Central American nations as a crucial environmental region, is a priority of the Central American Alliance for Sustainable Development and consists of a network of protected areas and their buffer zones linked by biological corridors of a variety of uses and degrees of protection. This project aims to provide technical assistance to allow the governments and societies of Meso-American countries to jointly establish the MBC as a system that integrates conservation and sustainable uses of biodiversity within the framework of economic development priorities over the medium to long term.

Finally, the OPS3 workshops in themselves demonstrated another important function of the GEF in catalyzing international cooperation. Specifically, the workshops provided participants with an opportunity to exchange ideas and experiences, which helped raise awareness about international project opportunities and,

more broadly, build support for international cooperation on environmental issues. For example, the Pacific SIDS regional workshop held in Fiji created a platform for enhanced organization, collaboration, networking, and learning about the GEF within the region. Workshop participants expressed the importance of this type of exchange in building momentum and cooperation among countries, and they noted that this is an area in which the GEF could play a role.

International Cooperation: Factors

OPS3 found evidence to suggest that, in the International Waters focal area, the TDA-SAP process continues to facilitate long-term involvement of multiple countries at national and subnational government levels by allowing each country to set individual goals and develop individual programs against a shared understanding of transboundary problems and their causes.¹⁷ In addition to TDAs and SAPs, other factors that influence sustained international cooperation that can lead to catalytic action in the International Waters focal area are strong multicountry institutions. However, “Contributions to Global and Regional Agreements: Review of GEF International Waters Program” cautioned that most of the GEF-supported multicountry institutions are politically and financially weak. Thus, as emphasized by GEFM&E, efforts to strengthen the financial self-sustainability of such organizations and “enhance their wider recognition, acceptance, and implementation” are important if international cooperation is to lead to catalytic effects (GEFM&E 2002a).

Based on evidence in the field, OPS3 found that for international cooperation to result in catalytic effects, increased coordination within and among countries is needed. For example, the OPS3 team learned that intercountry coordination on the MBC project has been limited because project directors have tended to focus on their individual country’s parts of the project, which have been parceled out, instead of communicating and working closely together. In this case, a unique opportunity to foster a high level of collaboration and knowledge sharing, and potentially augment catalytic effects, is being lost. Moreover, in-country coordination on the MBC project has also been inadequate in some countries, with the status of project progress in some areas completely unknown to project proponents both in and out of country. The MBC project’s success requires the development of a shared vision of its goals and functions. This vision must recognize the divergent needs of the participating countries and their constituent regions and identify the common interest all regional actors share in achieving ecological and socioeconomic sustainability. The ability to build trust and confidence among various stakeholders of the MBC will, in the end, determine its fate. Because the extent of this project’s achievement of global environmental benefits will depend on the whole, and not the sum of its parts, it is critical that information flow and exchange occur more freely both within and among countries.

Another important factor for success highlighted by the MBC project is that global and regional projects must carefully consider and address local and global realities and needs in project design. In particular, because the MBC project is top-down in approach, as is common for projects of this size and scope, some country-specific realities have been overlooked in project planning. The result has been that countries with lower capacities have had difficulty adhering to project expectations, and overall progress of the project has been slowed. IWPS2004 also pointed to the need for regional project approaches to be tailored to each site based on the geographic scale of pressures on the system, the local governance structure, and available human capacity.

Mainstreaming: Extent

Since OPS2, recent program studies have credited some climate change and biodiversity enabling activities—such as the preparation of inventories and plans required by conventions—with increasing national government awareness and understanding of environmental issues, a key element in mainstreaming (BPS2004, CCPS2004). In addition, various efforts have been undertaken to more directly target mainstreaming, such as the GEF NDI, which has been established in part to achieve greater mainstreaming of GEF activities into national planning frameworks and coordination and synergies among the GEF focal areas at the national level (UNDP 2005b). Building on the lessons learned from the GEF CDW Programme,

the NDI is being implemented by the UNDP over a four-year period, based on strategic guidance provided by the GEFSEC. The shift from the CDW to the NDI represents a changing focus of the GEF, from an emphasis on how to gain access to the GEF to bringing together diverse stakeholders within and outside government, including the private sector, to discuss broad national agendas and the place of environmental considerations within them.

At the IA level, OPS3 concurs with the OPS2 finding that the IAs have made reasonable efforts to mainstream global environmental issues into their operational programs. It should be noted, however, that the level of mainstreaming, or GEF influence on IAs and projects, tends to vary based on the significance of the GEF's financial contributions to the particular agency, project, or both. In other words, the greater the financial role played by the GEF, the greater its influence over the agency and vice versa. That said, the GEF must ensure that those partners whose mission is to provide financing (that is, international and regional development banks)—and who, therefore, tend to provide large sums of financing to each project relative to the GEF—must be particularly cautious that the GEF mission to achieve and sustain global environmental benefits is the guiding force behind all of their GEF projects.

Although the overall extent of mainstreaming achieved by the GEF is not possible to discern, given a lack of data on this subject, some progress is being made. In October 2004, a STAP interim report on mainstreaming biodiversity in production landscapes and sectors developed potential indicators for mainstreaming (STAP 2004). Since then, the BD-2 tracking tool has been established, which requires evaluators to provide information about the extent of mainstreaming at both the country and IA levels in a systematic way (GEF 2004b). For example, it asks whether biodiversity considerations are mentioned in sector policy and legislation, and if so, whether regulations, enforcement, or monitoring (or all three) are in place to support the legislation. It also asks whether the private sector has undertaken voluntary measures to incorporate biodiversity considerations in production and other questions related to mainstreaming biodiversity considerations into the economy. Through this tool, assessment of progress made on mainstreaming biodiversity will be possible at various levels of aggregation.

Mainstreaming: Factors

In October 2004, the STAP released an interim report on mainstreaming biodiversity in production landscapes and sectors. The report lists 10 conditions for mainstreaming in this focal area and describes a lengthy list of activities that can foster mainstreaming goals. In particular, the report describes three broad categories of activities for mainstreaming: (1) strengthen capacity at the systemic level, through strengthening policy, incorporating environmental management considerations into spatial and sector planning, and awareness and advocacy; (2) establish markets for environmental goods and services, including supply chain initiatives (for example, certification); and (3) improve production practices, such as through the promotion of best practices (STAP 2004).

Although the nuances of mainstreaming in the Biodiversity versus Climate Change or International Waters focal areas have yet to be fleshed out, at a fundamental level, the three sets of activities are critical factors for successful mainstreaming. Stated more broadly, capacity, markets, and production practices must be appropriately targeted to effectively mainstream environmental concerns in all focal areas.

The OPS3 team found that the most basic building block of mainstreaming is political will, as discussed in detail in section 4.4.2. Once political will exists, the resolve to integrate environmental considerations into broader decision making at the national level will follow. Strong leadership and dialogue at all levels is another dominant factor observed by the OPS3 team in terms of influencing mainstreaming. In particular, the active involvement of line ministries with decision-making mandates is needed for successful mainstreaming. As discussed in more detail in sections 6.1 and 6.2, field interviews revealed that entities with environmental responsibilities often do not have adequate strength within national governments to influence national decisions and policies, and the more powerful ministries are not aware of or interested in pursuing

environmental objectives. In such cases, mainstreaming can best be promoted through GEF capacity-building activities embedded in strong ministries that can effectively address intersectoral issues.

Additional Considerations

In addition to the four standard mechanisms for creating catalytic effects singled out in the TOR (leveraging additional resources; innovation, demonstration, and replication; fostering international cooperation; and mainstreaming), the OPS3 team has observed that there are other mechanisms that can contribute to catalysis as well. In particular, the mechanisms of knowledge sharing, partnerships, and institutional and individual capacity building—although discussed in this chapter as components of or factors for some of the four standard mechanisms—may be worth further consideration in their own right.¹⁸ OPS3 considers knowledge sharing and partnerships as *resources* that the GEF can use to create catalytic effects, and institutional and individual capacity building as a *condition* that GEF can foster to create catalytic effects. Perhaps these mechanisms can be explored in more depth by OPS4.

5.1.3 Challenges and Strategic Tradeoffs

There are several issues and strategic tradeoffs regarding the GEF's role in enabling catalytic effects to create more and faster global environmental benefits, as discussed below.

Financial versus Nonfinancial Mechanisms for Catalytic Effects

Currently, all GEF projects require that some level of cofinancing be provided, but the inclusion of other, nonfinancial modes for catalysis is optional and varies by project. The focus on cofinancing to produce catalytic effects has led to a number of issues, including project delay, and has effectively served as a barrier to project entry, especially for LDCs and SIDS, where resources are particularly scarce. All things considered, dialogue may be warranted to determine whether this across-the-board focus on financial modes for achieving catalytic impacts is appropriate or if other modes for catalysis should be given equal weight in the project criteria equation, or at least greater weight than is currently attributed.

The GEF as “Leverager” or “Leveragee”

Evidence from the OPS3 team reveals that GEF funds are in some instances being used to augment other funds already committed to large projects. Such projects would go forward with or without GEF contributions and may be less driven by the GEF mission (for sustainable global environmental benefits) as a result. It could be argued that such use of GEF funds is catalytic, in that it increases total resources, which can in turn lead to increased or faster achievement of global environmental benefits, but it could also be argued that the GEF's limited funds could produce greater catalytic effects if they were used for projects that would not be implemented without the GEF, may be more driven by the GEF mission, or both.

Means versus Mandate for the Private Sector

Currently, the GEF does not have an effective strategy to engage the private sector, despite its mandate to do so. The development of a GEF strategy that effectively engages the private sector has been under consideration for several years now, but it will ultimately require difficult decisions about the extent to which the GEF is prepared to reach out to industry and reconcile the differences in doing business—which include disparate drivers (profit versus environment) and different, sometimes incompatible, modes of operation.

Innovation versus Risk Avoidance

Innovation is a mechanism for catalytic effects that is actively promoted by the GEF's OPs (for example, OP7) and Strategic Priorities (for example, CC-5, IW-3, POP-3, SLM-2), and it inherently involves risk. At

the same time, however, project criteria and cofinancers aim to ensure project results and minimize risk. This tension between proven successful strategies and those that may be more innovative yet more open to risk creates choices for the GEF in terms of its priorities. One specific area where this is a major concern is in leveraging private sector involvement in GEF activities, where risk may be high but potential success may be substantial. Consultations with both GEFSEC and OME staff indicated that this issue of emphasis across all GEF programs is a high-level strategic issue that has yet to be resolved. Ultimately, if innovation is a priority for the GEF as a mechanism for catalytic effect, proper incentives and guidelines are needed to promote the pursuit of higher-risk opportunities. This tension is well illustrated by OP7 (Reducing the Long-Term Costs of Low GHG Emitting Energy Technologies), which has supported only a small number of projects and realized very limited achievements to date (STAP 2003a).

Information Management and Knowledge Sharing

Currently, GEF information systems do not adequately track indicators for catalytic effects. Although data on cofinancing and other leveraged resources may be the easiest to quantify and monitor, IA reporting on actual leveraging is unsystematic and ambiguous. For other mechanisms of catalysis (for example, mainstreaming, replication), indicators are still lacking across most focal areas and Strategic Priorities. Moreover, systematic, GEF-wide knowledge sharing to impart information on successful innovations and demonstration and actively promote their replication into appropriate sectors or geographic areas is also lacking. The development of indicators and reporting and data tracking systems, as well as the operationalization of a knowledge-sharing information system to foster replication, will require additional time and resources, but OPS3 considers this to be a critical aspect of the GEF's role in contributing to catalytic effects. (See section 7.2.2 for more information.)

5.1.4 Recommendations

- *The GEFSEC, in collaboration with IAs and EAs, should systematically track proxies for catalytic effects.*

Current evidence on the extent to which catalytic effects have been realized is paltry because proxies for measuring such effects are not well defined, measured, or tracked. To better measure the GEF's success in this area, operational definitions and indicators are needed for the mechanisms of catalytic effects (for example, cofinancing, leveraged resources, replication, mainstreaming). In addition, an information management system is needed to collect and track these data so that progress at the portfolio level can be assessed. The development and monitoring of indicators for catalytic effects will allow for more systematic data collection, which will in turn allow for the reconstruction of baselines and facilitate impact evaluations, including those at the program level.

- *The GEFSEC, in collaboration with IAs and EAs, should promote catalytic effects through systematizing innovation, demonstration, and replication.*

An organized mechanism for sharing information and systematically promoting the replication of successful innovations, demonstrations, and approaches must be implemented to maximize the catalytic potential of GEF resources. OPS3 recommends that the GEFSEC, in collaboration with the IAs and EAs, organize annual workshops for each of the three major focal areas to share information on successful innovations, demonstrations, and approaches that have been demonstrated in the field and strategize about how and where to promote their replication. To facilitate such meetings, IAs and EAs should submit "nominations" for their top successes for each focal area, for review and selection by the GEFSEC. The workshops should include presentations and discussion of the top successes and attended by senior staff, who could then disseminate key information throughout their respective organizations, including regional or country offices, where they exist; to the extent possible, staff in field offices should then promote replication of innovations, demonstrations, and approaches, as relevant, through in-country networks. Methods to facilitate, ensure, and

incentivize dissemination of information by field staff through appropriate in-country channels should also be explored.

- *The GEFSEC, in collaboration with IAs and EAs, should launch a private sector special initiative.*

The GEF should launch a private sector special initiative to look for good models of cooperation with the private sector and pilot projects under a special initiative. As part of this special initiative, the GEF should continue working to develop an appropriate strategy and mechanism for private sector engagement, as recommended in the October 2004 “GEF Management Response to the Private Sector Review” (GEF/ME/C.24/6) and prioritized in the GEF-4 programming. Specifically, OPS3 recommends that the GEFSEC, in coordination with the IAs and EAs, work directly with members of the private sector to identify appropriate means and modalities to more effectively involve the private sector. Private sector representatives should be identified and selected based on their previous involvement with the GEF, so that a blueprint that is sensitive to the needs and realities of industry can be formulated during a series of work sessions scheduled throughout the year. The GEF should aim to design a proposal for private sector engagement that includes a strategy for private sector outreach and communication, as well as risk-sharing arrangements. In addition, the work sessions should address any type of additional staff expertise, resources, or both that may be required within the GEFSEC to actively engage the private sector moving forward, such as the development of a new staff position to identify, market, and facilitate new opportunities for private sector leveraging and partnerships.

- *The GEFSEC should broaden its focus on nonfinancial mechanisms for catalysis.*

The GEF should consider substituting cofinancing requirements with other requirements related to nonfinancial mechanisms for catalysis described in this chapter. The reduced burden on cofinancing requirements would be especially beneficial to LDCs and SIDS. This would also remove project approval barriers currently faced by the UNDP and especially the UNEP, while freeing their resources to pursue other catalytic activities wherein they possess greater strengths. To this end, the GEFSEC should explore the extent to which different types of leveraging have produced catalytic effects and how project requirements may best be modified to substitute cofinancing levels with other forms of catalytic mechanisms. To ensure that reduced cofinancing requirements do not lead to a significant decrease in the GEF’s ability to fund projects, innovative funding mechanisms should also be explored, such as concessional loans, guarantees (contingent grants), and equity participation.

- *The GEF Council should clarify acceptable use of GEF funds to maximize leveraging.*

To ensure that cofinancing is targeted for GEF projects and not vice versa, the use of GEF funding as “add-on” to projects with large budgets should not be pursued. To this end, the GEF Council should develop explicit policy regarding the proper use of GEF funds as they relate to the leveraging of financing and other resources, as well as ensure that all IAs and partners are clear on such policies. It should be the responsibility of each agency to ensure that GEF policies are adhered to within their own organization.

- *The GEFSEC should conduct further analysis into catalytic mechanisms.*

Pending the availability of more robust data on actual cofinancing amounts, the GEFSEC should conduct thematic reviews to assess how actual cofinancing amounts received are affected by the timing with which commitments are secured—that is, whether greater cofinancing contributions are delivered when commitments are made once projects are under way, instead of prior to their approval. In addition, the extent to which different types of leveraging have produced catalytic effects should also be explored, as should the relationship between project size (for example, SGP versus MSP versus FSP) and replication and sustainability. All of these analyses could have important implications for the development of future project plans.

5.2 National Priorities of Recipient Countries (TOR 4E)

5.2.1 Historical Context

The GEF mandate incorporates the role of national priorities through its fourth Operational Principle, which states, “The GEF will fund projects that are country-driven and based on national priorities designed to support sustainable development, as identified within the context of national programs” (GEF/C.21/Inf.11). To this end, the recipient government is responsible for identifying national priorities, using a multistakeholder process; ensuring consistency of its national priorities with conventions through coordination with national focal points for the conventions; and through sign off by the GEF country focal point, ensuring that GEF projects conform to national priorities and country strategies (GEF/C.21/Inf.5).

In addition, national priorities are explicitly considered in the proposal process for FSPs and MSPs. For FSP proposals, a project’s fit with national priorities is examined twice when being considered for pipeline entry (by the GEFSEC) and for Work Program inclusion. MSP proposals are also reviewed for consistency with national priorities at two separate stages of the review cycle: (1) at Project Concept Review (conducted by the IA) and (2) at the Project Brief Review—CEO Approval. During these reviews, the national priorities typically considered are those defined in national reports and communications to conventions, national or sector development plans, and recommendations of appropriate regional intergovernmental meetings or agreements (GEF/C.22/Inf.9).

Review of GEF documentation through OPS2 has shown that most projects tend to be consistent with national priorities, to the extent that national priorities are well defined. For example, the 2002 MSP Evaluation found that, of the projects reviewed, documentation of consistency with country priorities had been carried out to ensure that the proposed activities were “more or less” in agreement with the priorities documented in national environmental planning documents. However, the study also found that “while this process worked well in some countries, it was less convincing in those cases where such environmental planning documents included lengthy, unprioritized lists of potential projects expressed in very general terms” (GEF/C.18/Inf.4).

OPS2 found that, although much country ownership was apparent, many GEF projects “did not seem country-driven in terms of involvement of the designated national operational focal points.” Moreover, OPS2 recognized a lack of country-drivenness, noting that projects were “often initiated largely through IAs’ efforts, along with their main contact points in the country” (GEFM&E 2002d).

But, while the commitment and capacity of national operational focal points (OFPs) have a strong influence on the actual extent to which national priorities are addressed through GEF projects, projects were often found to be initiated mainly by the IAs, without participation of OFPs. Moreover, for regional and global projects, many OFPs felt pressure from IAs to endorse a project before they were even aware of the national benefits that would be gained from the project. OPS2 also found that, in the Climate Change focal area, projects were often more focused on countries’ obligations under the UNFCCC and less on national needs and priorities. Furthermore, the 2002 MSP Evaluation found that many countries’ environmental planning documents often included a number of potential projects without prioritization, rendering it difficult to tie GEF projects to specific national priorities.

A number of recommendations have been made to strengthen the GEF at the country level, to ensure that projects are in fact country driven and based on national priorities. In particular, OPS2 recommended that the GEF continue efforts to support capacity development of OFPs, the national GEF coordinating structures, and the CDWs. OPS2 also recommended that the GEFSEC provide OFPs better information services on the status of projects in the pipeline and under implementation. Reiterating this concern, the Beijing Assembly and the Participants in the Third Replenishment recommended that the GEF consult with countries on

available operational tools and programming options developed for accessing GEF assistance to best address their needs and enhance performance and effectiveness.

5.2.2 Responsiveness to National Priorities

A number of recent initiatives were undertaken to strengthen focal points. For example, since OPS2, the Focal Point Support Program (established in 1999) has undergone significant review.¹⁹ Overall, the findings showed that the program contributed to improved communication, as well as increased awareness and better coordination with program stakeholders, but further improvements were needed. In particular, there is a need, especially among less developed countries, to strengthen GEF coordination at the country level; raise awareness of GEF priorities, policies and programs; and enhance the capacity of countries to develop and implement GEF projects (GEF/C.23/Inf.12). The GEF Council has continued to approve annual funding for the program, but it has not yet approved any major changes to it.

In addition, the GEFSEC is developing good practices to share with other focal points on successful in-country coordination. Also, the GEFSEC Country Relations Team is developing a comprehensive tool kit to introduce focal points to the GEF. To further strengthen national focal points in LDCs and SIDS, the GEF has provided support for the National Capacity Self-Assessments (NCSAs) and approved country programs to provide financing at the country level to address critical capacity bottlenecks. Other initiatives to support LDCs and SIDS at the national level are discussed in section 5.3.

The GEF NDI has also been established, which builds on lessons learned from the GEF CDWs. The NDI aims to strengthen country ownership and involvement in GEF cofinanced activities through a multistakeholder dialogue process, which brings together key stakeholders from a wide variety of national and local interests in sustainable development. The NDI aims to promote in-depth understanding of the GEF's strategic directions, policies, and procedures; strengthen country coordination and ownership in GEF operations and share lessons learned from project implementation; and achieve greater mainstreaming of GEF activities into national planning frameworks and coordination and synergies among the GEF focal areas and convention issues at the national level (UNDP 2005b). The NDI is being implemented by the UNDP based on strategic guidance provided by the GEFSEC, and it is being organized over a four-year period. In addition, the UNDP's Country Programme Action Plan (CPAP) and the World Bank's Country Assistance Strategy (CAS)²⁰ have also played a positive role in helping to create a cohesive framework by which to strategically plan and pursue GEF (and other) environmental projects.

These and other efforts at the country level appear to have paid off for a number of countries. The OPS3 field study found that, for many countries, GEF projects are responding to national priorities. In some countries (for example, Kenya, Kazakhstan), the GEF has prompted the setting of national environmental priorities that fall within GEF focal areas. In other countries (for example, India), the IAs are very responsive to the OFPs. Also, many stakeholders noted how effectively the SGP was responding to country priorities at the local level. Overall, the GEF portfolio was found to best reflect country priorities in countries that were able to move toward greater strategic partnership among IAs and among government ministries executing projects.

However, recent GEF reports and OPS3 field studies have identified a need for improvement in this area. In particular, BPS2004 stated that a project has "little hope of making it through to eventual GEF funding...without a champion within one of the IAs to shepherd a project through the maze," suggesting that IAs, not country priorities per se, are the main drivers behind the ultimate project submission process. IWPS2004 suggested that attention of the GEFSEC and IAs can at times lead toward project progression when the project might have otherwise been challenged by the GEF Council, such as in cases where multicountry projects lack full financial contributions.

In the majority of field visits, country focal points and other government representatives interviewed criticized IAs for not having been responsive to their country priorities, and they asserted that IAs are often the main drivers of GEF projects, not their country priorities.²¹ In several countries, focal points stated that IAs had modified project proposals so extensively after country approval that the projects no longer reflected national priorities. The perceptions of stakeholders were that such modifications were made based on IA priorities,²² the need to render the project more “GEFable” (that is, to better fit GEF OPs and strategic priorities), or both. In fact, some focal points interviewed during the South American regional workshops noted that their countries wanted to pursue projects in the Land Degradation focal area, but they were told by IAs to focus their efforts elsewhere because the GEF was prioritizing funds in the Land Degradation focal area for countries in Africa. As a result of these dynamics, there are GEF projects in the pipeline that are not based on national priorities but rather on opportunistic access to available funding. Such behavior is not a function of corruption or breach of trust; it is simply the result of countries doing what is in their best interest to maximize available opportunities.

The notion that the IAs drive the process was voiced most strongly by focal points in SIDS and LDCs. This is not surprising, for several reasons: (a) national environmental priorities are not well defined for many SIDS and LDCs; (b) SIDS and LDC governments do not have the capacity to develop their own project proposals; and (c) SIDS and LDC priorities tend to focus on immediate development needs (for example, poverty alleviation, clean drinking water, and so on) rather than global environmental objectives. Indeed, stakeholders who were consulted frequently highlighted the need to link environmental problems to local development needs (including the elimination of poverty). There is some space within the GEF to address such needs (for instance, OP13 on agricultural biodiversity, OP15 on SLM), but the perception among stakeholders in SIDS and LDCs is that the GEF does not always respond to country priorities to eliminate poverty, even if it is a fundamental need for countries to address before tackling environmental problems. This suggests a need for countries (and not just LDCs and SIDS) to develop clear environmental priorities, as well as strategic priorities for GEF funding. The NDI, NCSAs, the UNDP’s CPAP, and the World Bank’s CAS are all examples of the existing structures that can be utilized by the GEF in developing cohesive country strategies.

The weak link between country priorities and GEF projects also occurs at the country level. As noted by OPS2, focal point endorsement of project proposals “is not by itself a good indicator of country ownership,” because the focal point system often does not work as it is intended. Weak or ineffective focal points can put a wrench in the system. In fact, several NGO stakeholders in the field stated that their country focal points had caused their projects significant delay. Similarly, stakeholders informed the OPS3 team of other instances where the focal point system wasn’t working well, such as in countries with high government corruption or where the focal point is lodged within an environmental department with little clout or ability to contribute to national priority setting. Moreover, focal points can reject or approve project proposals based on personal or political motivations, not country priorities. Finally, the focal point system can be especially problematic in countries without a central government, where mainstreaming and coordination of environmental activities at the country level is very difficult.

5.2.3 Challenges and Strategic Tradeoffs

National versus Global Priorities

The GEF’s mandate to foster global environmental benefits may contradict its mandate to fund projects that are country driven and based on national priorities. Although countries may set environmental priorities that benefit the global environment, this is not necessarily the case; countries act in their sovereign interest, not in the interest of the global environment per se. Moreover, linking the environment with poverty alleviation poses particular challenges for the GEF because such a linkage could undermine its niche role that distinguishes it from mainstream development agencies. See section 4.4.2 for further discussion of the linkages between poverty and the environment.

Local and Regional versus Country Priorities

Country priorities should reflect priorities at the state and local levels, but in many countries this is not the case. In such countries, the GEF can provide support (for instance, through the NDI) by facilitating dialogue between government and nongovernment actors at the national, state, and local levels.

Mandating versus Ensuring Country Ownership

The development and selection processes for GEF projects are not transparent, and as such, focal point approval does not necessarily translate into country ownership. Ensuring country ownership, however, is critical to project success, and it is a mainstay of ensuring alignment with national priorities. Although there is no way for project criteria to guarantee that GEF projects are country driven or truly have country ownership in the current system, this is in fact essential.

5.2.4 Recommendations

- *The GEF Council, in collaboration with Focal Area Task Forces, should continue efforts to link poverty alleviation with environmental efforts.*

To place the environment on the national agendas of developing countries, particularly LDCs and SIDS, the GEF must take seriously the link between poverty and environment by operationalizing modalities to address poverty alleviation within its focal areas. Several such modes already exist (for example, OP13 and OP15), but field studies reveal that more is needed. OPS3 recommends that the GEF increase funding levels and the number of projects that can benefit from such modalities. The GEF should also consider if and how other focal areas and OPs can be modified to incorporate poverty alleviation components, as well as how project design can be more sensitive to poverty issues, if possible without sacrificing its niche role that distinguishes it from mainstream development agencies.

- *The GEFSEC, in collaboration with IAs and EAs, should promote strategic GEF planning at the national level.*

In countries with robust GEF portfolios, the GEF should move toward a stronger country program focus that recognizes the need for and emphasizes local capacity, partnership in the GEF process, and planning and development of clear country strategies and priorities for GEF funding. Country programs should be developed as an outgrowth of and in concert with activities such as the NCSA and the NDI, and they should be planned by a multistakeholder team coordinated by the GEFSEC and including IAs and EAs, national focal points, and other local stakeholders. In this role, GEF partner agencies should ensure that bottom-up requests in programming exercises are reconciled with global strategic objectives of the GEF. In addition, country portfolio planning teams should fit within existing structures and should pay attention to include local decision makers at the right levels in order to give the programs adequate weight and credibility in-country. The development of country programs could fit nicely into an RAF structure—if approved—because the RAF will likely require the GEF to allocate resources among countries in a systematic manner. Developing and managing national strategic portfolios would be a logical means of maximizing results in each country. However, given that the GEF will not be able to fund all country priorities and will, therefore, need to prioritize projects at the country portfolio level, a process and set of criteria for choosing among projects (for example, based on innovativeness, replicability, cost effectiveness) should be established by the GEFSEC and clearly articulated to country focal points and other relevant stakeholders at all levels. In countries with small GEF portfolios (for instance, LDCs and SIDS), an alternative strategy should be considered.

5.3 Varying Capacities of SIDS, LDCs, and CEITs (TOR 4F)

SIDS, LDCs, and CEITs face unique challenges that make them economically, ecologically, and geopolitically vulnerable. These vulnerabilities, combined with low capacities and other obstacles faced by these countries, require consideration of how the GEF conducts business with these partners—in terms of the modes of outreach and communication used, the types of projects implemented, and the project implementation strategies applied. In this context, this section discusses how the GEF has addressed the unique capacity challenges faced by SIDS, LDCs, and CEITs and what more, if anything, needs to be done.

LDC is a designation of the United Nations and is based on the following three criteria:

- A low-income criterion (based on gross domestic product per capita)
- A human resource weakness criterion (based on nutrition, health, education, and literacy)
- An economic vulnerability criterion (based on the stability of agricultural production and the export of goods and services, the economic importance of nontraditional activities, merchandise export concentration, an economic smallness handicap, and the percentage of population displaced by natural disasters)

SIDS is a designation of the UN Department of Economic and Social Affairs and includes 41 low-lying coastal countries with similar attributes, including:

- Sustainable development challenges
- Small populations
- Lack of resources
- Remoteness
- Susceptibility to natural disasters
- Excessive dependence on international trade
- Vulnerability to global developments
- Lack of economies of scale
- High transportation and communication costs
- Costly public administration and infrastructure

Efforts to recognize the vulnerabilities of SIDS and support their sustainable development received encouragement in January 2005, with the unanimous adoption of the Mauritius Strategy for the Further Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States. In light of the recent Indian Ocean earthquake and tsunami and the hurricane, cyclone, and typhoon season in the Caribbean and Pacific, the Mauritius Strategy emphasizes that SIDS “are located among the most vulnerable regions in the world in relation to the intensity and frequency of natural and environmental disasters and their increasing impact, and face disproportionately high economic, social and environmental consequence” (United Nations 2005).

CEITs are countries that have been designated by the UNFCCC as those countries that are transitioning to a market economy. These countries, which have been listed in Annex I to the UNFCCC, are Belarus, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Russian Republic, the Slovak Republic, Slovenia, and Ukraine.

5.3.1 Historical Context

The GEF has long recognized the unique challenges faced by certain countries, particularly LDCs and SIDS, and has made special efforts to respond to their needs. To improve in this area, the Second GEF Assembly presented numerous recommendations regarding LDCs and SIDS in 2003:

- The GEF should assist in the implementation of the results of the WSSD through its work, consistent with its mandate and taking into account the situation of LDCs and SIDS. In particular, the GEF should take into account the importance placed by the summit on regional and subregional initiatives, public participation, stakeholder involvement, and partnerships.
- MSPs should play an important role in GEF action for capacity building, particularly in LDCs and SIDS.
- The GEF should continue to enhance its partnership with civil society, including NGOs, local communities, and indigenous peoples' organizations, at the country level. In this regard, the GEF should seek to expand the SGP to more countries, in particular to LDCs and SIDS.

In 2005, the GEF Council approved the introduction of a pilot program for the financing of smaller MSPs up to US\$250,000, and Council members expressed support for expanding the SGP. In addition, the Council approved an increase in SGP funding to US\$47 million for the first year of the SGP's Third Operational Phase (GEF 2005). Although these decisions were not directed specifically at LDCs or SIDS, they may inevitably benefit these countries.

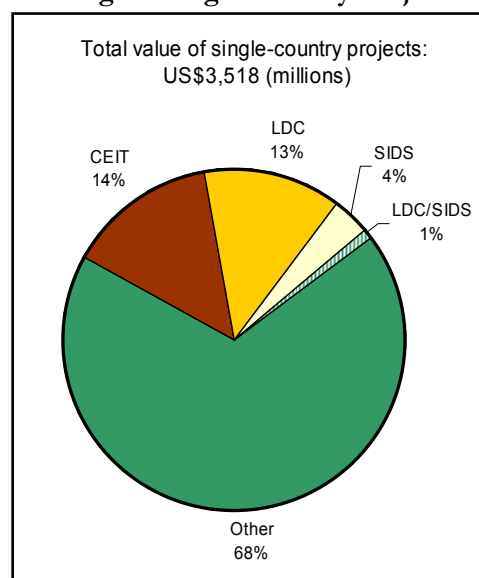
In addition, a new SLM portfolio of projects for LDCs and SIDS is available to help LDCs and SIDS that have not yet completed their National Action Programs to Combat Desertification (NAPs) to help them develop individual, institutional, and systematic capacity for SLM. The portfolio approach is meant to provide eligible countries with a cost-effective way of delivering a large number of relatively small projects in a timely manner through expedited MSPs (GEF/C.23/Inf.13/Rev.2).

In a similar vein, the GEF established an LDC Fund as a first step to provide funding to meet the full cost of preparing NAPAs, help build capacity for the preparation of National Communications under article 12, paragraph 1 of the UNFCCC. As of September 2004, projects for the preparation of NAPAs in 43 countries have been approved, totaling US\$9,415, 219 (including two global support projects) (GEF/C.24/Inf.7).

5.3.2 Responsiveness to Varying Capacities

According to data available in the GEF project database on single-country projects as of March 2005 (including projects that are approved, CEO endorsed, completed, and completed or closed), CEITs have received 14 percent of GEF funding allocations; LDCs have received 13 percent; SIDS, 4 percent; and countries that are classified as both LDCs and SIDS, 1 percent. Exhibit 37 presents these data. It should be emphasized that regional and global GEF projects are not included in this analysis, although they may represent a significant portion of funding in LDCs, SIDS, and CEITs.

Exhibit 37. Percent of Total GEF Funding for Single-Country Projects



Source: GEF Project Management Information System, accessed March 2005.

Exhibit 38. Average Projects per Country and Funding per Country for Single-Country Projects

	LDCs, SIDS	SIDS	LDCs	CEITs	Other
Total number of countries in classification	7	31	36	14	68
Total number of projects	41	173	308	145	719
Total GEF funds (million US\$)	\$28.07	\$131.64	\$460.56	\$497.31	\$2,400.94
Average number of projects per country	5.9	5.6	8.6	10.4	10.6
Average funds per country (million US\$)	\$4.01	\$4.25	\$12.79	\$35.52	\$35.31

Source: GEF Project Management Information System, accessed March 2005.

Exhibit 38 puts the numbers above in their appropriate context, based on the number of countries grouped in each country classification. As shown, SIDS account for the smallest average share of GEF funding by country, followed by LDCs; CEITs and all other countries have similar average shares of funding by country, which on average is more than double that of LDCs. This appears to be reasonable, given the small average size and population of SIDS and the lower institutional capacities of SIDS and LDCs to absorb project funds. SIDS also have the lowest average number of GEF projects by country, followed by LDCs.

Within the country categories themselves, GEF efforts in LDCs are weighted heavily toward Africa, and efforts in SIDS are weighted heavily toward Latin America and the Caribbean, as shown in exhibit 39.

Exhibit 40 compares the distribution of enabling activities versus MSPs and FSPs for the GEF portfolio of single-country projects for LDC, SIDS, CEITs, and other countries. The figure clearly shows the emphasis on enabling activities in SIDS, particularly in those SIDS that are also LDCs, where enabling activities constitute 85 percent of all GEF projects. Conversely, enabling activities represent a much smaller share of the GEF project portfolio in CEITs (only 35 percent) and all other countries (45 percent). In CEITs, FSPs represent the majority of projects.

Based on OPS3 field studies, a number of positive findings can be made regarding how the GEF has considered the varying capacities of LDCs, SIDS, and CEITs:

- The GEF has played a critical role in strengthening environmental institutions and developing capacity in LDCs and SIDS. This funding has, in part, helped to refocus some countries on environmental management.
- The flexibility of the SGP has allowed for innovative thinking and design of activities to meet country needs and capacities in SIDS and LDCs.

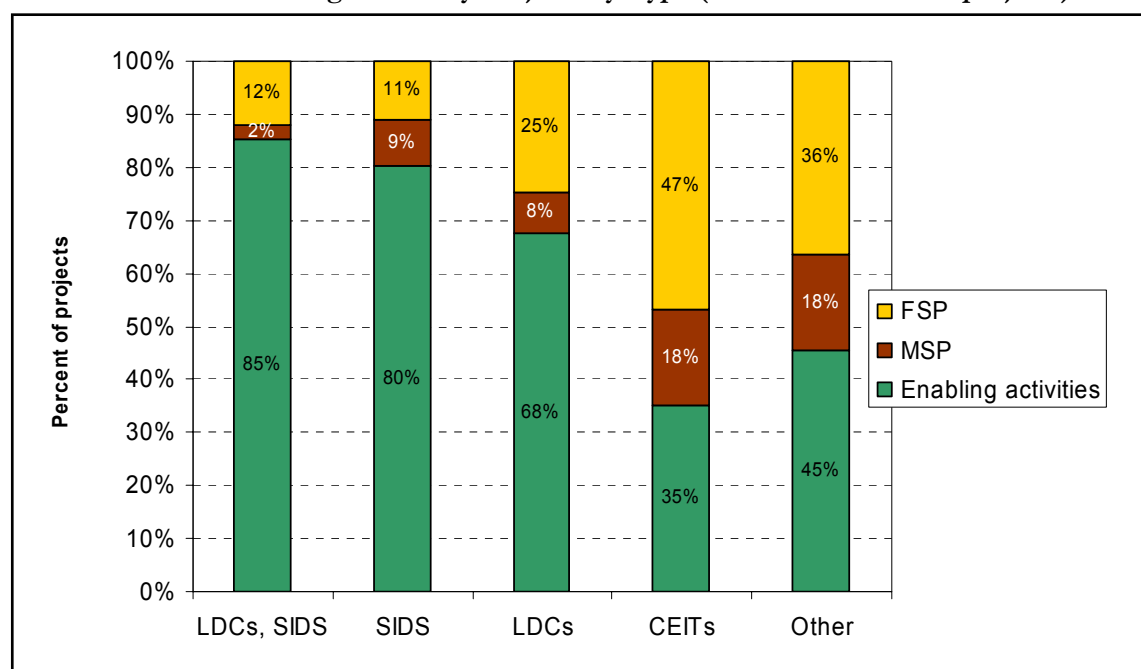
Exhibit 39. Total GEF Funding, Million U.S. Dollars, and Number of Projects by Geographic Region in LDCs and SIDS

Geographic region	LDCs		LDCs, SIDS		SIDS	
	GEF financing	Number of projects	GEF financing	Number of projects	GEF financing	Number of projects
Africa	\$356.37	241	\$21.49	28	\$12.72	21
Asia	\$104.19	67	\$11.14	32	\$35.34	39
Latin America and Caribbean	—	—	\$1.28	5	\$77.72	89
Total	\$460.56	308	\$33.92	65	\$125.79	149

— Not applicable. All LDCs in Latin America and Caribbean are SIDS.

Note: Shaded cells denote largest funding/number of projects in each country classification.

Source: GEF Project Management Information System, Accessed March 2005.

Exhibit 40. Percent of Single-Country Projects by Type (based on number of projects)

Source: GEF Project Management Information System, accessed March 2005.

- The rollout of NAPAs has been quite successful and efficient in LDCs. Moreover, the establishment of NAPAs and the LDC Fund has demonstrated that the GEF is responsive to the needs of LDCs.
- The fight against desertification is a priority for LDCs; the introduction of OP15 (on SLM) has helped integrate the country priorities of LDCs into the GEF.
- The OPS3 workshop held in Fiji has, in and of itself, created a platform for enhanced organization, collaboration, networking, and learning about the GEF within Pacific SIDS.
- SIDS are optimistic about the impacts the SGP will bring. Many SIDS are only now gaining access to the SGP, and they feel strongly that wider access will lead to cost-effective strategies for addressing the focal areas. One innovative step was recently taken to extend the SGP through the establishment of a subregional SGP modality in the Federated States of Micronesia, the Marshall Islands, and Palau. The subregional modality²³ allows the three countries to sidestep barriers to GEF funding associated with the administration of grant making beyond the 25:75 ratio required for grants disbursed or absorbed. This subregional approach will also allow the three countries to reduce overhead and share capacity.

In addition, the OPS3 field study identified a number of weaknesses in how GEF has approached LDCs, SIDS, and CEITs, given their limited capacities:

- The majority of GEF projects in SIDS have been enabling activities (more than 80 percent of single-country projects), but most of these activities have not fostered tangible environmental results. This is because enabling activities in Pacific SIDS (which represent 88 percent of all projects) have focused primarily on fulfilling international reporting requirements and developing action plans, without much follow-on implementation of those plans. Also, by their nature, enabling activities have tended to focus resources largely on governments and not on other stakeholders, which has kept the GEF visibility low in those countries and contributed to the belief that the GEF is not very active in the region.
- Institutional capacity in LDCs and SIDS—and to a lesser extent, in less developed CEITs—remains largely inadequate to pursue GEF opportunities and fulfill GEF obligations. In particular, focal points and

country governments are not well informed about the GEF (how it works, how to gain access to it), and they do not have the capacity to develop GEF proposals. This is due in large part to the GEF's outreach strategy, which relies heavily on the Internet and the English language to disseminate information, even though the Internet is not always accessible or affordable and English is not well understood in many of these countries. Moreover, even if information about the GEF were made more available, focal points do not have the capacity to widely disseminate it to other stakeholders, given the difficulties and expenses of travel and communication within countries (especially in LDCs and Pacific SIDS). Partly because of the Internet problems, there is a preference to rely on printed materials to augment communication of GEF activities. Furthermore, staff turnover often leads to the loss of institutional capacity, particularly in SIDS with very small populations (Delta Networks and Pacific Environment Consultants 2004).

- LDCs, SIDS, and less developed CEITs do not have adequate capacity to meet the cofinancing requirements of larger GEF projects (Delta Networks and Pacific Environment Consultants 2004). Specifically, they do not have the in-country resources or the knowledge about other international donors and how to gain access to external funding options. Stakeholders made clear during OPS3 field visits that additional GEF support in this area would be helpful.
- Project modalities that provide smaller levels of funding and require less reporting and administrative burdens (for example, the SGP) are well suited to the lower capacities of LDCs and SIDS (Delta Networks and Pacific Environment Consultants 2004). Reporting and other administrative requirements tend to consume too much of the available resources; rigid project schedules also add to project inefficiencies because specific project circumstances are often not taken into account.
- The capacities of CEITs vary widely, with the less developed Eastern countries tending to have lower capacities. Stakeholders in CEITs working toward EU accession expressed confusion and uncertainty about how they will be treated by the GEF (that is, when they will be graduated, what will happen with ongoing projects or those in the pipeline, and so on). The GEF Instrument specifies country eligibility criteria for GEF funding, which are equally applicable to EU accession countries,²⁴ OPS3 found that focal points in the region are not always aware of this or the implications for their participation in projects. Additionally, ramifications for projects in the pipeline or in the approval process are a source of concern for CEITs that are unclear or unaware of GEF policies in this regard.

5.3.3 Challenges and Strategic Tradeoffs

The OPS3 field and desk studies revealed that the GEF communication and outreach strategy is not adequate for reaching out to focal points, NGOs, and other stakeholders in LDCs and SIDS (Delta Networks and Pacific Environment Consultants 2004). The studies also reveal that the GEF's outreach strategy for CEITs is inadequate, as demonstrated by stakeholders' uncertainty regarding existing GEF policies that are of great concern to them. How the GEF chooses to pursue (or not to pursue) an outreach strategy in these countries calls into question the very nature of the GEF: Does the GEF identify itself as an international advocacy institution, like the Joint United Nations Programme on HIV/AIDS (UNAIDS), in which case it should expand its outreach as widely as possible—such as through strategic alliances with other agencies, national governments, regional and country environmental networks, and other NGOs? Or does the GEF identify itself more as a financial assistance institution, like the International Monetary Fund, in which case outreach is not quite within its mandate? Based on GEF/C.12/8 (1998), it would appear that a more extensive outreach strategy is appropriate for the GEF, but determining to what extent will require further dialogue.

The same questions regarding GEF's identity are relevant to the issue of cofinancing, a concern that LDCs and SIDS have cited during OPS3 as a major barrier in terms of accessing GEF funds. Is the GEF's primary concern the improvement of the global environment, or does the rule of incremental cost weigh more heavily? Is the GEF willing to forgo the incremental costs rubric in some cases, if that is what is needed to improve the environment and mainstream environment issues in certain locations? How the GEF answers

these questions will in part determine the extent to which cofinancing requirements will limit access of LDCs and SIDS to GEF funds.

5.3.4 Recommendations

- *The GEF Council should continue promoting smaller-scale projects (for example, the SGP) that fit the capacities of LDCs and SIDS, as well as provide additional funds for key activities in these countries.*

The introduction of the pilot program for the financing of smaller MSPs (up to US\$250,000) is a positive step in this direction, but such modalities need to be extended to LDCs and SIDS. Also, additional financial assistance should be provided to Pacific SIDS to implement activities developed or designed through enabling activities, as well as to all LDCs and SIDS to build government capacity and mainstream environmental issues. To support the latter recommendation, efforts should be made to strengthen and expand the NDI in these countries. Additionally, the role of intergovernmental organizations (IGOs) can be augmented and strengthened to provide technical backstopping, proposal development support, and training to help foster country-driven approaches.

- *The GEFSEC and IAs should improve outreach to LDCs, SIDS, and CEITs.*

Outreach and communication efforts must be augmented to facilitate accomplishment of the GEF's agenda with respect to the generation of global environmental benefits, keeping in mind the needs of LDCs and SIDS. Options to do so may include dissemination of more information about the GEF to LDCs and SIDS in multiple languages and through nonelectronic media; a user-friendly "Guide to the GEF" available in print, video, CD ROM, or all three formats would be helpful. In addition, better access to GEF information can be promoted through a series of regional workshops or through the designation of regional GEF focal points, which could be housed in IGOs that have experience with the GEF and environmental issues in their respective regions. Similarly, the GEF's outreach to CEITs must clearly communicate its policy for handling EU accession countries that will graduate from GEF funding recipient status. Consultation with the GEFSEC on a subregional level was suggested by CEITs during the OPS3 regional workshop.

- *The GEFSEC should assist LDCs, SIDS, and less developed CEITs in identifying external funding opportunities to better access GEF funding, reduce their cofinancing requirements, or both.*

For example, a clearinghouse of donors and donor interests could be developed. Alternatively, the GEF could consider reducing cofinancing requirements or allowing more in-kind contributions from those countries, as discussed in section 4.6.

Notes, Section III

1. Studies included in the matrix include OPS2 (2002), the MSP Evaluation (GEFM&E 2002f), the draft Local Benefits Study, the OP12 report (2005) GEF/ME/C.25/5. 2005. “Review of the GEF Operational Program 12: Integrated Ecosystem Management.” May 2005, and all 2004 focal area program studies for Biodiversity, Climate Change, and International Waters (GEF/ME/C.24/Inf.1. 2004; GEF/ME/C.24/Inf.2. 2004; GEF/ME/C.24/Inf.3. 2004).
2. According to the draft Local Benefits Study, local benefits can be categorized as (1) improved access to natural capital; (2) increased livelihood opportunities, income, and financial capital; (3) improved social capital, equity, and institutional capacities in local communities; (4) improvements to physical capital; (5) improvements to human capital; (6) reduced vulnerability to disasters, ecosystems degradation, and other factors; (7) improved health and food security; and (8) improved sustainability of resource management.
3. The more conservation projects draw on a diversified base of many sources of funding (for example, governments, user and service fees, private donations, and the international community), the more likely they are to be sustainable.
4. BPS2004 found that, of the projects assessed that reported achievements regarding the overall likelihood of sustainability, MSPs outnumber FSPs by approximately two to one, and FSPs outnumber MSPs approximately two to one for projects that reported shortcomings on sustainability.
5. Adaptive management is defined as “accommodating changes in project design and implementation to changes in context (implementation environment), if any, with the overall objective of meeting project goals and objectives” in GEF/C.24/Inf.5. See section 6.1.6 for further discussion of adaptive management within the GEF.
6. In project proposals, sustainability is also addressed through information required on risks and elements that are key to sustainability—which include the national programming context, root causes, stakeholder participation, dissemination, scientific and technical reviews, and so forth.
7. In line with international best practice, and for the sake of clarity and standardization, the May 2003 “GEF Guidelines for IAs to Conduct Terminal Evaluations” (GEFM&E 2003a) suggests that IAs use a six-scale rating system in TERs for the achievement of sustainability (“highly satisfactory” [HS], “satisfactory” [S], “moderately satisfactory” [MS], “moderately unsatisfactory” [MS], “unsatisfactory” [U], and “highly unsatisfactory” [HU]).
8. Data on planned levels of cofinancing are presented here because data on actual levels are not maintained by the GEF.
9. Additionally, the World Bank often credits as cofinancing the funding for large development projects with which GEF funds are commingled, as discussed further in section 5.3.
10. See, for example, the 2002 PPR (GEFM&E. 2003c. “Project Performance Report) and “Annual Performance Report 2004: Draft I, Global Environment Facility Office of Monitoring & Evaluation, April 22, 2005.” (GEF/ME/C.25/1. 2005. “2004 Annual Performance Review.” April 2005).
11. According to the GEFM&E, effective financial plans include identification of potential sources of cofinancing and leveraged and associated financing; strong financial controls, including reporting and planning; and due diligence in the management of funds and financial audits (GEFM&E 2005).

12. Evidence was found in field interviews regarding Russian Federation biodiversity, climate change, and international waters projects and Brazil biodiversity projects.
13. Interview with OP12 Review authors, April 6, 2005
14. It should be noted that even project designs that are replicable in other places must be grounded in national and local contexts, as found in the in the draft Local Benefits nonfield case study of the Mali Household Energy Project (GEFM&E 2004c), which closely replicated a project in Niger.
15. The GEF newsletter, *GEF Lessons Notes*, summarizes the highlights, conclusions, and lessons learned from evaluations, thematic reviews, the annual PIRs, and other studies conducted by the GEF—which can include dissemination of information with an eye toward replication.
16. PPRs contain information on lessons learned and brief summaries of project successes, including evidence of replication.
17. Evidence was found during field interviews in Russian Federation; consistent with OPS1 and OPS2.
18. OPS3 considers sustainability to be a complex mechanism for catalytic effect, and it is treated in detail in chapter 4.
19. This includes the May 2003 analysis of the support provided to national focal points and GEF Council members (GEF/C.21/Inf.12), the March 2004 evaluation of the GEF Council Member and Focal Point Support Program (GEF/C.23/Inf.12), and the May 2004 “Elements for Strengthening National Focal Points and Enhancing Constituency Coordination in GEF Recipient Countries” (GEF/C.23/12).
20. The CAS establishes a program of support linked to the country’s own development strategy and to the World Bank Group’s own comparative advantage in the context of other donor activities.
21. This view also supported by the report by Delta Networks and Pacific Environment Consultants, “Views and Lessons: Effectiveness of the Global Environment Facility in the Pacific” (2004).
22. Many focal point and NGO stakeholders noted that IAs have conflicting motivations about serving the needs of countries because they must develop projects that are approvable and expand their own levels of business.
23. The structure of the subregional modality consists broadly of a Subregional Steering Committee (SRSC) and a regional coordinator, with review and approval of projects performed by a voluntary Country Focal Group with facilitation by a Country Focal Person (supported with an honorarium).
24. Section I-9-b of the Instrument states, “A country shall be an eligible recipient of GEF grants if it is eligible to borrow from the World Bank (IBRD and/or IDA) or if it is an eligible recipient of UNDP technical assistance through its country Indicative Planning Figure (IPF)” (GEF 1994a).

SECTION IV: EFFECTS OF THE GEF'S INSTITUTIONAL STRUCTURE AND PROCEDURES ON RESULTS

The Institutional Form of the GEF

To discuss the effectiveness of the GEF, it is necessary to understand the GEF's¹ institutional form. The GEF, based on its composition, structure, and division of roles and responsibilities, is a network organization.^{2,3} A network is different from a stand-alone hierarchical organization and requires a different set of evaluative criteria than a hierarchical organization does (Provan and Milward 1995, 2001; Rank and Wald 2000).

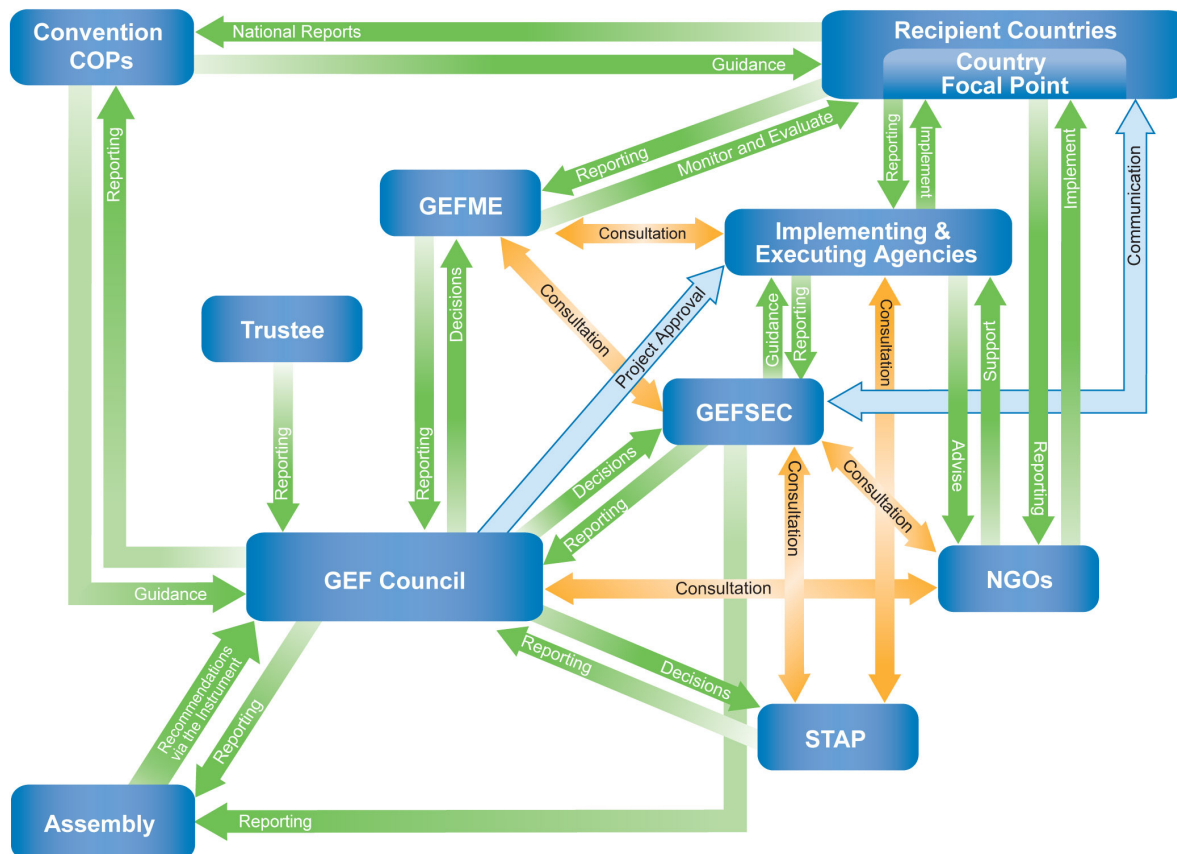
The stand-alone hierarchy is the traditional form of organization. In the hierarchy, instruction and authority issue from a first party to a second party, but not the other way around. Information can flow from the second party to the first, but it is generally only in the form of advisement and reporting. The entities that make up the larger organization are usually subunits of it, and each subunit is arranged to correspond to the specific subtask of the larger, more complex task the organization is undertaking.

Conversely, a network is an emerging form of organization in which independent, or at least semi-autonomous, entities work together to achieve a common result. Instruction and authority are not fixed in any part of the organization or in any direction, but flow back and forth between the parties involved. Parties in the network often have an organizational existence independent from the network, including their own inherent authority and command relationships (they may in fact be hierarchies themselves internally). The entities participate in the network through their own consent to the network coordinator and to the roles and responsibilities of the other entities.

The designers of the GEF purposely decided, during restructuring, to avoid the creation of a new, hierarchical organization. Instead, the Instrument establishes the GEF as a network of collaborative partners who, working together, support the conventions by using the incremental cost principle to enhance environmental projects within recipient countries to achieve global environmental benefits (GEFM&E. 1999a. "Restructuring the Global Environment Facility: Working Paper 13." September 1999; Streck 2000).

One of the entities in the GEF network, the GEFSEC, was established to coordinate network relationships by setting policy, establishing goals, coordinating activities, negotiating parameters of participation, monitoring compliance, and holding the parties accountable. Diplomacy, consensus building, motivation, setting incentives, information sharing, and so on are the means by which this network entity, which Provan and Milward (1995, 2001) call the "network administrative office,"⁴ coordinates network activity.

Although the GEFSEC was established to coordinate GEF activities, responsibility for accomplishing GEF goals is distributed throughout the multiple entities. The flow of authority and instruction is complex. For instance, the conventions provide guidance to the GEF on convention priorities. These priorities are integrated by the GEFSEC with the help of the other entities into OPs and Strategic Priorities, which are approved by the GEF Council and provide direction for the development of projects around the world. The IAs and EAs work with countries and the GEFSEC to develop project proposals and implement projects that meet GEF requirements, working within the project cycle, the OPs, and the Strategic Priorities articulated by the GEFSEC. Countries are the recipient of funds and also "drive" the projects—"country drivenness" is one of the GEF's key operating principles—directing the IAs concerning those projects that are most important to their national programs. Furthermore, the countries are parties to the conventions and are members of the GEF Assembly and Council (at least by representation). Thus, the countries contribute guidance to the GEFSEC through several channels. Exhibit 41 demonstrates some of these pathways through the GEF network.

Exhibit 41. Governance and Reporting Structure of the GEF

Is the GEF's Institutional Form an Appropriate One for Meeting Its Mandate and Operations?

Networks are appropriate when:

- The challenges undertaken are complex and “cannot be handled by dividing them up into simple pieces in near isolation from each other” (for instance, networks appear to be especially appropriate in the area of global policy and international cooperation, where the forces behind their emergence seem exceptionally strong) (Reinicke and Deng 2000).
- Multiple entities exist who have some claim on the mission (for example, conventions, countries, IAs, NGOs).
- Network entities are independent, with their own internal mission, governance, and structure, and participate in the network by choice.
- The challenges facing the network are geographically diverse, and the entities are geographically dispersed.

- Required skills and competencies are widely distributed among entities, and there is a desire to use these skills as much as possible without replicating them (that is, the roles and responsibilities of the GEF entities).
- Various levels of interactions—from global strategy to very specific local implementations—are required for the mission to be accomplished.
- The need for flexibility and responsiveness demands a local presence where decisions can be made in real time.

All these conditions for appropriateness pertain to the GEF network of partners. Therefore, its institutional form is appropriate for meeting its mandate and operations. How effectively the GEF performs as a network institution is the concern of this chapter.

Measuring Institutional Effectiveness

Measures of network effectiveness are just beginning to emerge in the literature (Provan and Milward 1995, 2001; Rank and Wald 2000). The most important way to measure effectiveness of any institution is to look at results. If an institution is producing results that contribute to the achievement of mission goals, then the institution is having an effect. Other sections in this report discuss results produced by the GEF network at the focal area level (section II) and at the level of the community and country (section III).

However, the network itself can also be analyzed (O'Toole 1997). This section discusses how effective the GEF is as a mechanism for supporting, encouraging, planning, funding, monitoring, and evaluating environmental action on a global basis. Effectiveness at the network level is discussed in terms of the GEF's overall ability to negotiate successfully the challenges associated with network management. Such challenges, and associated indicators of an effective network, are outlined in exhibit 42.

Exhibit 42. Network Challenges and Indicators of an Effective Network

Challenges of a network	Indicator of an effective network	TOR #/ OPS3 section
Communication and alignment of goals	<ul style="list-style-type: none"> • Specific goals create focus for the network partners. • Health and goals of the partners are acknowledged concerns of the Network Administrative Office. • Conflicting bottom-line expectations are acknowledged and actively managed. • Commitment (and alignment) of the partners, as well as the parts of partners, to network goals is a concern. • An appropriate range of services is provided to communities. 	4D, 6.1.1
Coordinating partners on multiple levels and managing increasingly complex interdependence	<ul style="list-style-type: none"> • A Network Administrative Office exists. • Resources are used efficiently; minimal redundant efforts exist. • Coordination mechanisms facilitate cooperation between levels. • The effects of rule changes on the network are monitored ("butterfly effect"—sensitive dependence on initial conditions). 	4D, 4A 6.1.2
Maintaining an inclusive approach	<ul style="list-style-type: none"> • The network seeks requisite variety (diversity) in developing and expanding network membership. • Membership is growing.^a • The balance between growth and network administrative capacity is managed. 	4D, 6.1.3

(continued)

Challenges of a network	Indicator of an effective network	TOR #/ OPS3 section
Maintaining structured informality (balance between control and empowerment) in managing network activities	<ul style="list-style-type: none"> • Policies, procedures, and guidance exist to manage network decision making and core activities. • Use of minimum critical specification (<i>everything</i> you need, but <i>only</i> what you need) in defining processes and policies is a core Network Administrative Office practice. • Special competencies of network members are incorporated into basic network practices where possible. • Decisions are made at the appropriate level. • Adaptive management provides a means of balancing upfront specification with on-the-ground reality. • Ongoing documentation of project decisions makes adaptive management understandable at higher levels. 	4D, 5A, 6.1.4, 7.1
Overcoming capacity shortages	<ul style="list-style-type: none"> • Sufficient financial, physical, and human resources exist. • People trained in network skills (negotiation, collaboration, leadership, and so on) are available. • Absorptive capacity exists in all network partners to carry their share of the responsibility. • Training programs exist for new network members to bring them up to speed. 	4D, 6.1.5
Managing in a permanently evolving world	<ul style="list-style-type: none"> • The network maintains openness to the future instead of rigidly adhering to the past. • The network has the capacity to scan the external environment to anticipate changes that might affect network capabilities. • The network provides stability over time while maintaining flexibility to respond to emerging needs that are created by changes in local conditions. 	4D, 6.1.6
Maintaining effective relations with external stakeholders	<ul style="list-style-type: none"> • Network outreach processes span the boundary between the network and the external community in which it exists. • The network establishes its external legitimacy through public demonstration and dissemination of its results. 	4D, 6.1.7
Managing evolving roles, relationships (trust, competition, and collaboration), and responsibilities among network partners	<ul style="list-style-type: none"> • Focused integration of partners is an ongoing concern. • Roles and responsibilities distinguish the expected contributions of partners. • Redundancy of functional knowledge (understanding how the network works) exists alongside clarity of roles and responsibilities. • Mix of strong and weak ties (various strengths of relationships among partners) exists. • Incentive structures support expected behaviors and trust among partners. • Stable patterns of relationships create trust and make individual entity behavior more predictable. • Collaboration occurs at multiple levels 	4D, 4A, 6.2.1–6.2.5
Developing clarity in measures and outcomes	<ul style="list-style-type: none"> • An overall framework for network effectiveness evaluation—including monitoring at the level of the network itself—is in place and is evolving along with the network itself. • A good model exists on how benefits are created. • Overall cost of network maintenance is measured in relation to the value of benefits gained. • Quality assurance is built into network systems. • Clear expectations for network (external) outcomes and impacts, and internal partner accountability and the approaches for measuring these exist, are clear and are understood and used. 	4G, 6.2.6
Information and communication transparency, knowledge sharing	<ul style="list-style-type: none"> • Learning the right lessons and using the learning is an important feature of the network. • Mechanisms exist for capturing, storing, and delivering new knowledge to decision makers who need it. • Timely and transparent communication exists among entities. • Critical information is captured, managed, and shared among stakeholders in transparent ways. 	5B, 7.2

a. In most cases, growth indicates vitality of the network. Network carrying capacity is an issue, however, because it basically establishes an upper limit to the network's size.

The Evolutionary Nature of the GEF

The list of network challenges helps explain one of the most obvious findings of OPS3—that many of the same challenges cited in OPS1 and OPS2 are still on the minds of stakeholders who provided input to OPS3. Does the recurrence of these challenges mean that the GEF has been ineffective in addressing them in the years since OPS1?

The table of challenges in exhibit 42 suggests a different approach to framing this issue. OPS3 considers these challenges to be constant and continuous challenges in network management. In a network organization as complex as the GEF, all parts and partners will never be perfectly aligned. Furthermore, the GEF exists in the turbulence of the modern world. The continuously changing world causes the GEF to be in a constant state of adaptation and evolution in response to it. At the same time, network stability (defined as noninterference by structural superiors, such as the Assembly and Council in the GEF) has been found to be central to network performance; thus, changes should be incremental to maintain stability (Milward and Provan 2003).

Therefore, an assessment of GEF effectiveness should focus first on the degree to which the GEF is achieving global environmental benefits, and it is also worthwhile to consider the degree to which the GEF network is *over time* increasing its resilience and robustness as an institution that can consistently deliver those results. The question is really not whether the GEF has completely solved the challenge of the project life cycle or knowledge management (KM) in a distributed environment. Rather, the question is whether the GEF is better able to manage the network challenges so that, in sum, it is more effective and more able to deliver on its goals and objectives at the end of GEF-3 than it was at the end of GEF-2. In this regard, OPS3 has particularly sought evidence that the GEF is either moving in the direction of greater “fitness” with its environment or whether, to the contrary, the complexities of the network are beginning to overwhelm the GEF’s ability to accomplish its goals.

Structure of Section IV

In response to TOR 4A, 4D, and 4G, “Effects of the GEF’s Institutional Structure and Procedures on Results” discusses the effects of the GEF’s institutional structure on the achievement of its mission and mandate. “GEF Procedures” discusses the effects of GEF procedures on the achievement of its mission and mandate.

6. Effects of the GEF’s Institutional Structure

Using the network challenges described above, this section considers whether the GEF is stronger and more effective *as a network* as it approaches the end of GEF-3 than it was at the end of GEF-2. This institutional perspective must be read in conjunction with sections II and III on results produced at the focal area and cross-cutting levels. Institutional fitness will not be of any value unless it translates into better results in the environment.

6.1 How Effectively Is the GEF Meeting Its Challenges? (TOR 4D)

This section discusses how the GEF is meeting the following challenges from the table of network challenges (see exhibit 42), including communication and alignment of goals (section 6.1.1), coordinating partners on multiple levels and managing increasingly complex interdependence (section 6.1.2), maintaining an inclusive approach (section 6.1.3), structured informality (balance between control and empowerment) (section 6.1.4),

overcoming capacity shortages (section 6.1.5), managing in a permanently evolving world (section 6.1.6), and maintaining effective relations with external stakeholders (section 6.1.7).

6.1.1 Communication and Alignment of Goals

Historical Context

Strategic coherence has been cited as a concern in GEF evaluations from OPS1 up to the present. This is not surprising, because many GEF entities have their own organizational goals—with potentially conflicting principles, objectives, and bottom lines—that they must support in addition to fulfilling their commitment to support the GEF goals. In response, the GEFSEC has worked continuously to provide the guidance needed to help align the entities to the GEF mission and goals. These efforts have resulted in a great deal of instruction about various aspects of the mission, such as the definition of global benefits and the determination of incremental costs (GEF/C.6/Rev.2, GEF/C.13/7, GEF/C.14/5). Both of these aspects of the GEF mission have ambiguities that the GEF has been trying to specify since the restructuring.

Similarly, the GEF has provided guidance on strategy and goals to network members. OPs were developed to help guide work plan development, and 13 of the current 15 OPs were approved by the GEF Council by 2000. However, both OPS1 and OPS2 identified the goals and alignment issue as only partly solved. Specifically, OPS1 noted that greater clarity and improved guidance are needed to determine what is covered by “global environmental benefits,” particularly in the Biodiversity and International Waters focal areas. OPS2 also found that confusion still existed at the country level and among other stakeholders over definitions of “global environmental benefits” and “incremental costs.”

Current Evidence

In a response to stakeholders’ need for additional guidance, in 2003, the GEFSEC introduced a Strategic Business Planning framework that defined Strategic Priorities for each focal area and projected levels of financing associated with each priority. The Business Plan presented at the November 2004 GEF Council meeting proposed that the Strategic Priorities be used as a review screen, in addition to the project review criteria, and not be associated with strict resource envelopes in the business plan.⁵ However, OPS3 concludes that there is still much to be done in this area.

BPS2004 called the concept of incremental costs, as well as its application in the Biodiversity focal area, “highly problematic” and recommended the creation of a handbook with simplified guidelines on project budgeting and incremental cost calculations. Similarly, IWPS2004 concluded that the GEF Operational Strategy and OPs do not provide sufficient guidance regarding the concept of incremental costs, in part because much of the language is in “GEF-speak” that is difficult for practitioners to understand and implement. OPS3 stakeholder consultations confirmed these findings. Many stakeholders, particularly country focal points and NGOs, expressed the opinion that the incremental cost component has become so arcane that only specialized consultants, who are brought in specifically to develop the project design documents, can get it right. Several country-based IA managers with whom the OPS3 team spoke offered specific examples in which they had used this consultant strategy and even offered to share a list of trusted consultant names. However, country focal point and NGO stakeholders, although agreeing that the consultants had helped get the project design approved, also commented that these consultants sometimes miss some of the subtleties of country capacity and local requirements.

Another problem is that the strategic guidance is additive. The Strategic Priorities, for instance, now constitute an additional review test. Thus, during project preparation, project proponents must now identify both a Strategic Priority as well as an OP under which to classify their project. In fact, rather than creating alignment, the proliferation of guidance appears to have defined a broad enough area for strategic activity that GEF entities may find whatever direction they seek in it. Additionally, as discussed in section II, although

there is better clarity as to the strategy of the GEF in each Strategic Priority, it is not entirely apparent how the Strategic Priorities in each focal area aggregate to an overall focal area program strategy. The Strategic Priorities proposed for the Climate Change focal area for GEF-4, however, represent a positive step toward clarifying the relationship between OPs and Strategic Priorities because each Strategic Priority is explicitly linked to a certain OP.

The OPS3 team was also told by several country focal points that the alignment of national priorities and GEF priorities is sometimes problematic. How national priorities are linked to the projects submitted by many countries is unclear and may be based on opportunistic access to available funds (instead of being tightly tied to national priorities). A frequent suggestion from participants at every level in OPS3 was that a more programmatic approach to funds disbursement would improve strategic alignment. The implementation of an RAF, about which discussions are continuing within the GEF, may provide countries with a predictable allocation that can then be used to develop some national strategic programming. A further discussion of this issue is provided in section 5.2.

6.1.2 Coordinating Partners on Multiple Levels and Managing Increasingly Complex Interdependence

Historical Context

For the GEFSEC, coordinating multiple entities across multiple levels is a particularly difficult and persistent challenge, especially as the network becomes more widespread and the tasks to be accomplished by the entities become more complex. The GEF network exists across many different dimensions, as shown in exhibit 41. It is not surprising then, that both OPS1 and OPS2 identified coordinating partners on multiple levels as a constant challenge for the GEF.

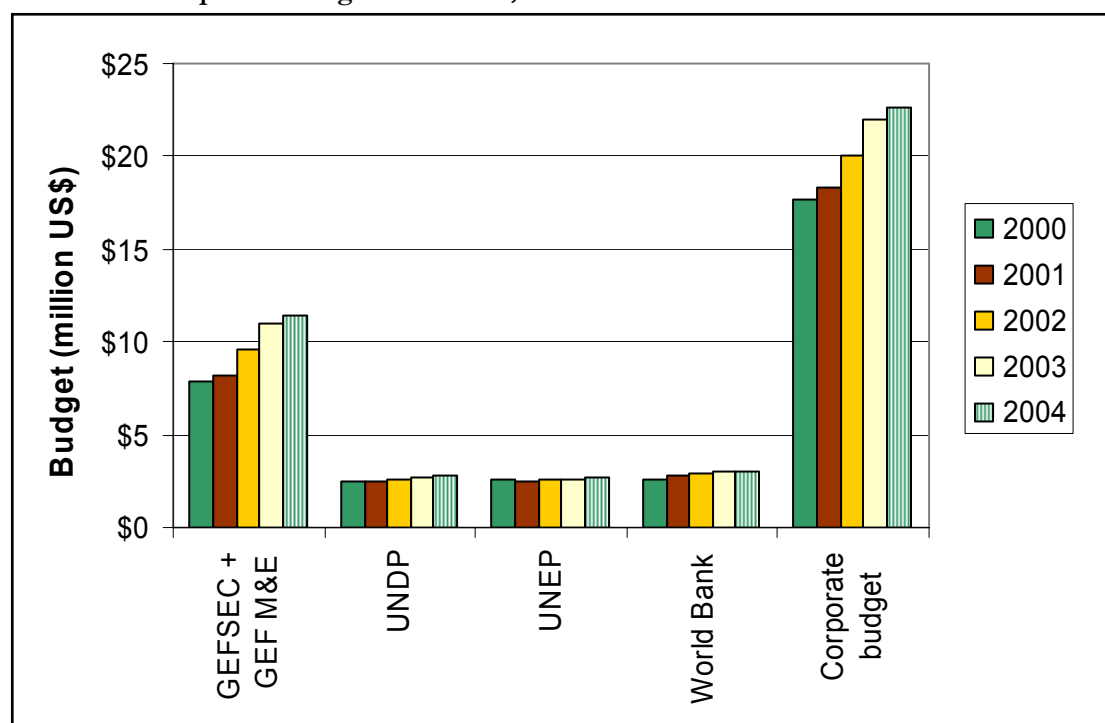
In particular, OPS1 noted the lack of coordinating mechanisms for interactions with other ministries, country representatives to the conventions, and NGOs in some countries. OPS2 recommended that the GEF continue efforts to support capacity development of operational focal points, the national GEF coordinating structures, and the CDWs. OPS2 also suggested that the GEFSEC help empower operational focal points by providing better information services on the status of projects in the pipeline and under implementation. The Participants in the Third Replenishment and the Beijing Assembly took up this challenge and recommended further strengthening at the country level.

Current Evidence

The Network Administrative Office as a Key Function of the GEFSEC

Coordination costs are high in a network. A rough calculation by OPS3 revealed that while the number of GEF partners increased from about 11 to 21 during GEF-3,⁶—about a onefold increase—the number of potential communication channels among those entities increased from approximately 55 to 210—or about a fourfold increase.⁷ During the same time (2000–04), the corporate budget has increased by approximately 40 percent (see exhibit 43). However, as a percentage of the annual GEF program, the corporate budget has ranged between 3 percent and 5 percent from 2000 to 2004). It is encouraging that the corporate budget has increased proportionately to the increase in GEF programming, but OPS3 finds that the GEFSEC is still underresourced to perform its expected functions, especially because the increase in the complexity of the GEF network is not a linear function. The more projects there are and the more stakeholders are involved, the more relationships there are to manage and coordinate.

The GEFSEC has worked consistently to coordinate its partners and manage this increasingly complex network. Recognizing the need for a better coordination function, the GEFSEC CEO recently established

Exhibit 43. Corporate Budget Allocation, Fiscal Year 2000-04

Source: GEF Project Management Information System, accessed March 2005.

a group in the GEFSEC to manage corporate and operational issues of the GEF. At its May 2002 meeting, the GEF Council reviewed a document, “Clarifying the Roles and Responsibilities of the GEF Entities” (GEF/C.19/8), which presented the main roles and responsibilities of each of the GEF entities. The Council also stressed the need for country ownership of GEF activities and the important role of the national focal points in ensuring such ownership. Coordination mechanisms both among the GEF entities and between the GEF entities and country partners have been strengthened since the last replenishment (see below).

However, without adequate resources, the GEFSEC will not be able to continue functioning effectively as the Network Administrative Office of the GEF.

Coordination Mechanisms among the GEF Entities

To facilitate coordination among the GEFSEC and the IAs, the GEFSEC holds Interagency Task Forces for each focal area, which include members from the IAs and the GEFSEC who meet regularly to discuss issues related to the focal areas, and Executive Coordinator meetings, held biweekly and attended by the Executive Coordinators of the IAs and representatives from the GEFSEC.

Participants felt that these meetings provide a basis for coordination but that the meetings could be improved by ensuring that meeting agendas treat issues at a strategic level and with enough time for any decisions made by meeting participants to actually affect operations. Action has also been taken to remedy a lack of coordination between the Interagency Task Forces and Executive Coordinator meetings. The Executive Coordinators must now approve the determinations of the Interagency Task Forces before action can be taken.

Interagency retreats have been organized between the GEFSEC and the IAs to discuss the strategic direction of the GEF, although stakeholders have reported to the OPS3 team that they are not as useful as they could be. Open discussions about how to improve the effectiveness of the retreats should be undertaken.

Although the GEFSEC is working toward better coordination with the IAs, it is less clear how the GEFSEC is coordinating efforts with the EAs. There is an apparent need, expressed repeatedly by the EA representatives who consulted with the OPS3 team, for better involvement of the EAs in the strategic discussions of the GEF if the EAs are going to be able to participate effectively in GEF activities. This additional administration by the GEFSEC, however, would represent an additional cost to the GEF.

Coordination Mechanisms between the GEF Entities and Country Partners

Country partners are a critical element of the GEF network. Since the last replenishment, coordination mechanisms between the GEF entities and country stakeholders have been strengthened considerably. Since OPS2, the GEF Council Member and Focal Point Support Program (established in 1999) has undergone significant review.⁸ The review found that the program contributes to improved communication, increased awareness, and better coordination with program stakeholders, but improvements are still needed. According to the 2004 evaluation (GEF/C.23/Inf.12), there is a need, particularly among less developed countries, to strengthen GEF coordination at the country level by raising awareness of GEF priorities, policies, and programs; strengthening stakeholder involvement in global environmental programs; and enhancing the capacity of those countries to develop and implement GEF projects. Likewise, a report prepared in May 2004 (GEF/C.23/12) proposed that the program be extended for a four-year period, with certain changes and specifications. Sections 5.2 and 5.3 discuss these issues in more depth.

In response to an independent evaluation of the GEF CDWs in 2002 (Le Group-conseil Baastel Ltée. 2002. "Independent Evaluation of the GEF Country Dialogue Workshops Programme: Evaluation Report." October 11, 2002. Available at: <http://www.undp.org/gef/workshop/documents/indpdnteval.pdf>), the GEF Council approved the GEF NDI to further promote understanding of the GEF, strengthen country coordination and ownership, share lessons learned, and achieve greater mainstreaming of GEF activities at the national level. In fiscal 2004, the CDWs completed a final group of workshops and the NDI conducted workshops in eight countries. Currently, the GEFSEC is developing a study to compile practical examples of how countries have developed and employed GEF national coordination mechanisms. Information resources for focal points are available on the GEF Web site and the GEFSEC Country Relations Team is developing a comprehensive tool kit to introduce newly assigned focal points to the GEF.

Other activities in fiscal 2004 included orientation seminars for new GEF Council members and alternates; constituency groupings to inform Council Members about meetings and logistics; regular meetings between the GEFSEC, UNDP, and World Bank to discuss ways to strengthen the focal point support program; information disseminated to focal points on availability and use of focal point support funds; employment of an additional staff at the GEFSEC to assist the Country Relations Team in providing information to national focal points and constituencies; distribution of the GEF newsletter, *Talking Points*, to all identified country stakeholders; and other focal point support activities.

6.1.3 Maintaining an Inclusive Approach

Historical Context

Maintaining the balance between a growing number of partners and the need for some oversight and discipline in the partnership is a continual challenge.

Throughout its existence, the GEF has made inclusiveness a priority, as stated in its Operational Principles⁹ and policies on stakeholder involvement, and has been urged to further expand its inclusiveness (for instance, the Beijing Assembly recommended that the GEF continue to enhance its partnership with civil society) where possible. The diversity that results from this inclusiveness is critical to the health of the network, which must reflect the diversity of the community that it serves.¹⁰ In particular, the network must be willing to consider additional partners as it becomes clear that the diversity offered by the new partners will contribute

important benefits to the network. The inclusiveness of the GEF, however, has also placed a burden on the capacity of the network to function and coordinate—a fact that both OPS1 and OPS2 have acknowledged.¹¹

Current Evidence

Since the last replenishment, the diversity of GEF partners has increased. In particular, the GEF has sought to embrace additional partners, including granting EAs operating under expanded opportunities direct access to GEF resources; approving two new focal areas, thereby bringing on new convention partners; creating a new independent OME; doubling the number of countries entering the SGP every year; and exploring efforts to engage the private sector. During the OPS3 consultations, stakeholders commented that the inclusiveness of the GEF, operationalized during the stakeholder consultation process during project preparation, has played a major role in the success and sustainability of GEF projects.

This diversity strengthens the GEF network, but it threatens to overload the capacity of the system to coordinate. For example, currently, EAs are not involved in the weekly Executive Coordinator meetings, and participants in those meetings recognized that including the EAs would make the meeting more difficult to schedule and manage. Simple things like finding a common time to meet, discussing issues openly, and coming to decisions become more challenging with extra partners. A balance must be sought between inclusiveness and the ability of the system to coordinate additional partners and stakeholders.

6.1.4 Structured Informality (Balance between Control and Empowerment)

A key mechanism for balancing control and empowerment in the current GEF network structure is the project life cycle. The project life cycle is discussed in depth in chapter 7.

Historical Context

Balancing empowerment and control of its partners has been at the heart of the GEF approach since its inception. All partners want to have some say in the GEF's decisions about direction, strategy, access to funds, and so on. IAs have always participated in these decision-making processes through Interagency Task Forces and Executive Coordinators' meetings. The countries participate in decisions at both the Council level and the project level because projects must be approved by the OFP as an indication that projects are country driven. Likewise, NGOs have been granted increasingly direct access to the GEF through the SGP and the MSP modality, and some EAs have been granted expanded opportunities and direct access to GEF resources.

Current Evidence

Although the GEF has worked to empower the partners, because the GEF guidance has been additive, as discussed in Section 6.1.1, Communication and Alignment of Goals, it has been difficult for the GEF to practice minimal critical specifications (for example, providing the least amount of guidance necessary). Moreover, empowerment to a certain degree has been by default in the GEF. Indeed, without a specific policy group in the GEFSEC (that is, a “policy shop”), means of empowerment have been somewhat ad hoc.

An important element of effective empowerment is that partners must have the capacity for empowerment. For example, if OFPs are going to sign off on projects as an indication of country drivenness, they need to have the capacity—time, willingness, education, political awareness, and so on—to make that determination. Capacity has been lacking in many partners of the GEF, which, in combination with the empowerment of those partners, threatens the stability of the network. Currently, the GEF has insufficient mechanisms to compensate for deficiencies when parts of the network are not performing.

6.1.5 Overcoming Capacity Shortages

Historical Context

The question of capacity in the GEF has three general components: (1) People—does the GEF have the skill sets and number of staff that it needs throughout the network? (2) Funding—does the GEF provide the right level of resources to support its project activities? (3) Infrastructure—does the GEF have absorptive capacity in terms of technical and institutional infrastructure to accomplish its goals?

Overcoming capacity shortages has been a persistent challenge for the GEF. The GEFSEC can write policies and approve projects, but it is harder to ensure that its empowered partners have sufficient capacity to take on the responsibilities associated with these projects. For instance, OPS1 noted that some focal points required funding to adequately perform their coordination roles, and OPS2 recommended a number of actions to enable OFPs to be more effective advocates for GEF issues in their country. Both OPS1 and OPS2 also made recommendations about realignment of resources within the GEF to address some of the capacity issues.

Current Evidence

Although the GEF has worked consistently since OPS2 to overcome its capacity shortages at the country level, stakeholders at all levels in a range of countries still identify the lack of basic infrastructure capacity, including communication technology, as a major challenge. Language barriers can also affect the absorptive capacity of countries; although OPS1 and OPS2 noted that documentation should be provided in all UN languages, this has yet to happen in the GEF.

As noted before, the capacity of focal points is still uneven, with some not being fully informed about GEF activities in their countries with GEF activities in their countries or not well integrated into other ministries. The loss of institutional memory resulting from high turnover of GEF Council members and focal points also threatens the stability of countries' capacity. Stakeholders reported to the OPS3 team that it can take up to a couple of years for focal points and Council members to get up to speed on the GEF, but approximately 25 percent of focal points and 40 percent of Council members (including alternates) changed in 2004. The GEFSEC reports to have ramped up efforts to work with support staff below the level of the focal point to retain institutional memory when the focal point changes, however, increases in the turnover rate in the first two months of 2005—there were 31 changes in focal points and Council members—may overwhelm the capacity of the GEFSEC and IAs to educate new focal points and Council members about the GEF. On a positive note, the OPS3 team was told by several stakeholders that changes in focal points and Council members may have a beneficial externality for the GEF in that, as country government officials rotate out of the focal point and Council member positions, they bring with them a knowledge of the GEF that they can spread throughout other parts of the government.

As the GEF has recognized, capacities vary significantly among countries, and this must be considered in all aspects of project work. Country capacity in part depends on the depth of the pool of qualified people on which the GEF can draw; for example, in some SIDS, there may only be a few people with any environmental management experience, which presents a significant challenge. Recognizing that a network is only as strong as its partners, the GEFSEC should aim to make the recipient countries more partners than recipients, and in doing so, should work to improve their capacity. However, although the GEFSEC can, and should, suggest that countries form internal coordination mechanisms to improve their capacity (for example, interministerial councils), the GEFSEC cannot be held culpable for the failure of some countries to take action to improve their own capacity.

At the corporate level, the GEF has benefited to date from a core of people who have been working and maturing in the partnership network for so long that they understand how it functions and are able to

communicate more effectively. Moreover, there has been some exchange of personnel among IAs, EAs, and the GEFSEC, which also may increase the ability of GEF staff to overcome inherent capacity shortages by retaining people in the network that are already familiar with the GEF and other GEF entities. At the same time, this in-network turnover may contribute to the insularity that the GEF has been charged with by stakeholders from time to time. The newly appointed Corporate Executive Officer and Director of OME also bring fresh perspectives that will likely continue to open the GEF to new ideas. CEO and the Director of the OME already has helped this and will likely continue to open the GEF to new ideas.

The OPS3 team received strong endorsements that IAs and EAs working at the local level in countries is an important component of project success. However, numerous stakeholders testified to the varying capacity of the officers in these positions, many of whom were either junior professionals, who lacked the capacity to address the issues of countries effectively, or not specialized in a particular focal area and so lacked the capacity to give effective technical advice to countries. As more responsibilities are currently being delegated to in-country offices, the IAs must monitor the capacities of each office and strengthen them when necessary.

One of the basic problems of a network is that staff are generally trained to work in hierarchies, not in networks, and, thus, generally lack the appropriate management skills. Frequent changes in staff among network partners, lack of direct training in network management skills, little project management training—all limit the capacity of a network to manage itself effectively. OPS3 finds that the capacity of the GEFSEC is still insufficient for it to effectively function as the Network Administrative Office of the GEF partnership network (see section 6.2.1). As such, the GEF may want to undertake a program to ensure that its staff are trained in and understand strategic and institutional issues and are not too narrowly focused on technical focal area issues. Further, the GEF should seek specific skills in future hires that are necessary for managing in a network—negotiation, consultation, collaboration, KM, managing virtual teams, and so on.

6.1.6 Managing in a Permanently Evolving World

Historical Context

The GEF exists in a dynamic world replete with political, economic, social, regulatory, scientific, and environmental variability that causes turbulence to which the GEF must continually adapt. For instance, new guidance from a convention, new scientific findings about environmental management, or changes in the politics within a block of countries may directly affect GEF operations. The GEF has committed itself to maintaining “sufficient flexibility to respond to changing circumstances,” as one of its 10 Operational Principles affirms. Further, the GEF has been defined as an “incrementally evolving” institution (Sjöberg 1999), expected to learn from and adapt to new conditions. As stated by the GEF CEO, the GEF seeks to be seen as “highly adaptable and uniquely positioned to take on additional responsibilities to help close the recurring gaps in the evolving environmental regime” (GEF/C.17/9). Indeed, the GEF has been hailed as being an “innovative, flexible entity that can respond to new challenges and responsibilities” and specifically for having an open decision-making process that involves a range of stakeholders (Boisson de Chazournes GEFM&E. 2003d. “The Global Environment Facility as a Pioneering Institution: Lessons Learned and Looking Ahead.” Working Paper 19. November 2003.).

Current Evidence

At the enterprise level, the GEF has shown itself to be a continually self-reflective and evolving institution, as evidenced by its regular undertaking of program studies, overall performance studies, and other self-evaluations. In many instances, especially with major program studies, recommendations are turned into management actions.

At the project level, however, recent studies have highlighted the difficulties associated with project inflexibility. BPS2004 found that projects have shown some rigidity in the face of changing circumstances,

and that greater flexibility and room for innovation are needed to allow projects to achieve optimal results. Similarly, IWPS2004 cautioned that rigid structures and excessive bureaucracy will lead to failure. The lack of flexibility in GEF projects was also noted by some stakeholders during OPS3 field visits. For instance, a number of stakeholders commented that projects are not very flexible in their ability to change funding groups (for example, to shift money from consultants to equipment). Several reviews from the GEFM&E, including the annual PPRs, have also stressed the need to clarify policies and procedures to encourage adaptive management of projects (GEF/C.24/Inf.5).

On a positive note, the GEF encourages flexibility in designing and implementing projects through adaptive management techniques, which have provided some flexibility to implementers on the ground. Adaptive management is defined as “accommodating changes in project design and implementation to changes in context (implementation environment), if any, with the overall objective of meeting project goals and objectives” in GEF/C.24/Inf.5. BPS2004 commented that “[t]he World Bank’s risk management strategies (already in practice) and those of UNEP and UNDP that are under development provide important examples [for GEF projects] of the practice of adaptive management in action at the project level.” CCPS2004 noted that “many [energy efficiency] projects are now successfully incorporating financing components, partial guarantees and loans, depending on the specific context and set of market barriers and adaptive management.” In addition, the International Waters focal area’s Operational Strategy aims to instill a philosophy of adaptive management (GEFM&E 2002b), and the IWPS2004 observed a move toward projects that “articulate the adaptive management process.” IWPS2004 cautioned, however, that long time gaps during implementation can lead to difficulties in applying an adaptive management approach, and that good monitoring is key to effective implementation of adaptive management.

As a complex network, the GEF faces another challenge related to external and internal changes. It is well known that within complex systems even fairly small changes can ripple through the network and create significantly larger effects. For instance, a change to the fee structure can influence the behavior of the IAs and create corresponding ripples to move throughout the network. The institution of the RAF, for instance, may have significant downstream effects on the network that will have to be monitored closely. The need for the GEFSEC and OME to monitor the network in terms of its systemwide effects is discussed below.

6.1.7 Maintaining Effective Relations with External Stakeholders

Historical Context

To support and increase its ability to leverage additional funding from sources, the GEF must maintain its visibility in the international community through effective outreach. OPS1 recommended that the Council fund the development of a GEF outreach and clear communications strategy that targets the GEF’s multiple constituencies. The fiscal 2000 corporate budget made a provision to fund an outreach and communications strategy as a special initiative, which included activities such as a best practices workshop for focal points, GEF displays and project-based workshops at meetings of the COPs and subsidiary bodies, an audiovisual program broadcasting mainly to recipient countries, and video reproduction and translation. Other elements for greater outreach were also proposed. By fiscal 2002, the corporate budget reported that the GEFSEC had increased the number of its news releases produced and distributed and placed several articles on the GEF’s operations in newspapers and other serial publications.

In May 2001, the Council approved funding for a focused outreach effort about the GEF to be undertaken at the WSSD. Relations with external stakeholders have also been sought through other special initiatives, such as the UNEP’s Strategic Partnership with the GEF.¹² In the same vein, the STAP’s original mandate, set in 1994, called for the STAP to function as a conduit between the GEF and the scientific community at large.

While acknowledging that information and communication services were a relatively recent undertaking in the GEF, OPS2 observed that the GEF still suffers from poor visibility and IAs often do not give credit to the

GEF. OPS2 noted the need for the GEF's objectives and approach to global environmental issues to be better understood in government and civil society and suggested enhancing its visibility by launching flagship publications on the global environment based on its operational experiences and project results.

Current Evidence

In the fiscal 2005/07 business plan, the GEFSEC proposed the development of a communications strategy to bring coherence to the activities currently undertaken by the GEFSEC and the IAs. In the fiscal 2005 corporate budget, the plan was explained to cover "media relations, partnerships with federations of environmental journalists, publications production and distribution, website maintenance, and outreach support for the Secretariat and IAs' participation in major environmental conferences and conventions." (GEF/C.23/9. 2004. "GEF Corporate Budget FY05." April 2004.)

OPS3 finds that, despite the progress described above in proposing a communications strategy,¹³ there is currently still not an aggressive enough outreach campaign to broadcast GEF accomplishments either to external or to internal stakeholders, especially those stakeholders like the NGOs who may be many network nodes away from the source of the communication from the GEFSEC. There is also still some confusion internally with respect to who takes credit for what accomplishments, as OPS2 pointed out. OPS3 field visits revealed that some NGOs working on GEF projects (for example, in Pacific SIDS) were not even aware that the GEF was a source of the project's funding.

6.1.8 Challenges and Strategic Tradeoffs

Goal Definition and Structural Stability versus Adaptive Flexibility

The logical framework is structured to guarantee that GEF projects clearly define their goals and support the GEF operational principles. Getting a project approved is often a long process precisely because of the hard work done during this phase. The results of this effort, according to the testimony of many stakeholders throughout the network, are well-thought-out projects that are stable and strong. However, many stakeholders, some of whom were the same as those praising strong design, acknowledged that project circumstances change rapidly and lead to significant changes in the project plan during implementation. One repeated suggestion heard by the OPS3 team was that the logical framework should be simplified, with goals and objectives—including cofinancing—defined completely only during implementation.

Inclusiveness versus Cost Effectiveness and Network Capacity

The GEF Operational Principles require that "the GEF will ensure the cost-effectiveness of its activities" and at the same time "provide for consultation with, and participation as appropriate of, the beneficiaries and affected groups of people." (GEF. 1996. GEF Operational Strategy.) The degree of inclusiveness required for GEF projects can easily lead to extra time and cost in the preparation and execution of projects.

6.1.9 Recommendations

To address the issues discussed above, OPS3 proposes the following recommendations:

- *The GEF should simplify and streamline strategic direction.*

Goal alignment is still difficult in GEF-3 and further complicated by the inclusion of additional partners and the fact that partners in the GEF are only parts of partners. The GEF must simplify and streamline direction, especially with respect to the OPs and Strategic Priorities, so that it can be absorbed by partners in an effective way.

One step toward simplifying and harmonizing strategic direction in the GEF would be to set up a specific team dedicated to developing policy. Additionally, employing a country or regional portfolio approach could assist in goal alignment in recipient countries. For example, through GEF support to focal points, the NDI, and the Interagency Task Forces, country partners, IAs, and the GEFSEC could work together to align their objectives and build more strategic country portfolios.

- *Recipient countries need to be regarded and treated as partners in the GEF network, as well as recipients.*

This new and strengthened relationship could be accomplished through a number of activities. The GEF must increase capacity at the recipient country level through an improved focal point and Council member support program. To that end, the current Council Member and Focal Point Support Program should become a formal program and should be strengthened in a number of ways, including those set out in the GEFSEC document “Elements for Strengthening National Focal Points and Enhancing Constituency Coordination in GEF Recipient Countries” (GEF/C.23/12). Additionally, better follow-up could be conducted after NDI workshops.

6.2 A Discussion of the GEF Entities: Evolving Roles and Responsibilities (TORs 4A and 4G)

“In network organizations, ...coordination is predominantly achieved by stable patterns of exchange relationships, which, once established, create trust and make individual action more predictable” (Rank and Wald 2000). However, growth of the network is important to maintain its vitality (Goldsmith and Eggers 2004). In particular, managing growth, while maintaining the trust of the partners, is a constant challenge in the GEF. This section discusses the institutional roles and functions of the GEFSEC, IAs, EAs, Trustee, STAP, NGOs, and participant countries.

“One of the interesting aspects of public and nonprofit networks is that various stakeholders hold them responsible for multiple and conflicting bottom lines—efficiency, effectiveness, accountability, responsiveness, and equity. A network may very well do quite well on some of these measures, only to be judged as failing on others” (Milward and Provan 2003).

In light of this insight, OPS3 finds that the GEF entities are performing in a satisfactory way, when “satisfactory” is defined to be “progressively more effective management of potentially conflicting bottom-line results.” The challenge of managing potentially conflicting bottom-line results is particularly evident in the case of the GEF efforts to produce results in both a “responsive” and “cost-effective” manner. Because multiple stakeholders and entities will likely define success criteria differently and give them different weights in terms of importance, it is often impossible to come to a single metric that all can agree on. Therefore, “responsiveness” and “cost effectiveness” will be defined differently by different GEF entities.

For instance, “responsiveness” to the recipient countries may mean that GEF projects support the national program. However, the IAs must be “responsive” to the strategic guidance of the GEFSEC. These two definitions of responsiveness may be (although in theory should not be) in some misalignment. Similarly, responsiveness to some of the GEF’s own Operating Principles means that projects should include all parties with an interest in the projects. This requirement for inclusiveness means taking additional time to design the project, which of course creates tension in those who criticize the GEF’s responsiveness because of the amount of time it takes to move a project from conception to implementation. Inclusiveness, which involves time and resources to build participation, may be seen by other stakeholders as interfering with the cost effectiveness of projects.

In essence, the question of effectiveness and responsiveness raises the question of how the GEF manages the tradeoffs between these bottom-line results. This has been part of the fabric of the GEF at least since the

restructuring talks in 1994, when competing global philosophies were fused into the one network. The dual conditions for Council decisions are a clear indicator that these tradeoffs occur each day in the GEF. Satisfactory performance may be thought of as the effective resolution of the tradeoffs between responsiveness and cost effectiveness.

There are areas of strength and areas for improvement in the overall performance, but in general OPS3 finds that the GEF is doing an increasingly strong job of understanding and managing these tradeoffs. The next five sections present the findings and recommendations of OPS1, OPS2, the Third Replenishment, and the Beijing Assembly, in addition to other specific evaluations, that are relevant to each of GEF entities—the GEFSEC, the IAs, the EAs, the STAP, the Trustee, the NGOs, and the countries.

The remainder of section 6.2 discusses:

- Evolving roles and responsibilities and managing collaboration and competition (providing an in-depth discussion of the major GEF entities) (section 6.2.1–6.2.5)
- Developing clarity measures and outcomes (particularly focusing on the M&E function) (section 6.2.6)

6.2.1 GEF Secretariat

Historical Context

The role of the GEFSEC has evolved and intensified over the history of the GEF. Originally formed as an administrative office reporting to the World Bank, the GEFSEC now reports to the GEF Council and interacts and coordinates with partners at all levels of the network. Indeed, the Instrument notes that “responsibility for facilitating and coordinating GEF-financed activities will be vested in the Secretariat.”

The “GEF-Commissioned Independent Evaluation of the Pilot Phase” (GEFM&E 1993) found that the collaborative arrangements between the three IAs “that were supposed to result in interagency synergy and provide leadership for the GEF as a whole [had] proved to be ineffective.” The evaluation concluded that the overview and management function ought to be strengthened by developing the Office of the Administrator into a Secretariat “that is organizationally, administratively, and functionally independent from the IAs and organizations.” As such, the Instrument outlined roles and responsibilities for a functionally independent GEFSEC.

Based on the original tasks set out for the Secretariat in the Instrument, as well as on agreements between the Secretariat and the IAs, a paper first introduced in December 2001, and finalized in May 2003 (GEF/C.21/Inf.5), further clarified the roles and responsibilities of the GEFSEC as shown in exhibit 44.

OPS2 highlighted the growing role of the GEFSEC, noting that, with the expansion and realignment of the GEFSEC’s functions, the GEFSEC was “severely understaffed to carry out both its present and proposed new functions.” OPS2 praised the ability of the GEFSEC to provide leadership for the GEF on what OPS2 described as a “relatively modest budget,” but noted that the “senior management capacity has been stretched and would now benefit from some external advice on the effectiveness of management systems.” To assist the GEFSEC in effectively performing its functions, OPS2 recommended that the professional resources and management capacities of the GEFSEC be strengthened by:

- Establishing a separate unit (the Country Support Team) that would provide the national operational focal points, in collaboration with the IAs and the EAs, with effective, prompt policy and procedural guidance
- Strengthening its capacity to develop and communicate operational modalities that can effectively engage the private sector

Exhibit 44. Roles and Responsibilities of the GEF Secretariat

- Ensure implementation of Council and Assembly decisions
- Coordinate with convention secretariats and represent the GEF at meetings of convention bodies (COPs and subsidiary)
- Promote dialogue with stakeholders (including NGOs) participating in conventions
- Operationalize convention guidance
- Plan, agree, and coordinate the GEF program of support for national focal points and constituency coordination
- Coordinate the program of national, subregional, and regional dialogue workshops, including chairing of an interagency steering committee for these workshops
- Prepare the Business Plan including strategic priorities; develop OPs, operational criteria, and GEF pipeline
- Review project concepts for eligibility, according to project review criteria, and strategic fit, according to the Strategic Priorities of the Business Plan, and manage pipeline entry and exit
- Manage relations with IAs, and with EAs under expanded opportunities
- Prepare criteria, standards, and priorities for programmatic approaches for Council consideration
- Ascertain that each proposed programmatic approach is consistent with the approved criteria, standards, and priorities; provide guidance on the resources that can be committed; agree on the roles of participating GEF agencies; and make “go or no go” recommendation
- Review progress and consistency of programmatic approach with the agreed criteria, standards, and priorities as it develops through the project cycle
- Promote GEF awareness and visibility; undertake outreach for countries, convention meetings, NGOs, and the private sector
- Manage GEF-wide relationships with NGOs, the private sector, bilateral development cooperation agencies, and others

- Requesting a special human resources planning exercise of the proposed and expanding functions of the GEFSEC to give the GEF Council more precise recommendations regarding staffing needs
- Contracting an external management review of current management systems and future management needs in the GEFSEC

Current Evidence**Responsiveness**

The GEFSEC has typically responded to requests and guidance from the GEF Council in a timely manner. The GEFSEC is currently undertaking activities to improve parts of the project life cycle, including meeting with IAs and EAs to discuss proposed new procedures for more closely managing the pipeline (see chapter 7 for a more detailed discussion of pipeline management).

To further improve institutional coordination and operational responsiveness, the GEFSEC created the Operations Coordination Team in FY04 (GEF/C.23/9). This team has organized a series of meetings with the IAs to address and resolve outstanding operational issues.

When the needs have been identified, the GEFSEC has added staff to help increase responsiveness. In fiscal 2002, the GEFSEC added staff in the POPs focal area and to support private sector investments and mainstreamed the GEFSEC’s database administrator to support the Project Tracking and Management Information System (please see chapter 7 for a detailed discussion of the PMIS). In fiscal 2003, the GEFSEC planned to add a land management specialist. In fiscal 2004, the GEFSEC planned to fill positions that had been vacated in fiscal 2003; however, at the end of fiscal 2004, the GEFSEC budget was underspent by about US\$1 million because some budgeted positions were not filled, including one for a staff member responsible

for KM. The GEFSEC did, however, bring on a second staff member to its Country Relations Team, in response to the OPS2 recommendation. For fiscal 2005, the GEFSEC anticipates filling all the vacant positions.

The Cost Effectiveness of the GEFSEC as the Network Administrative Office

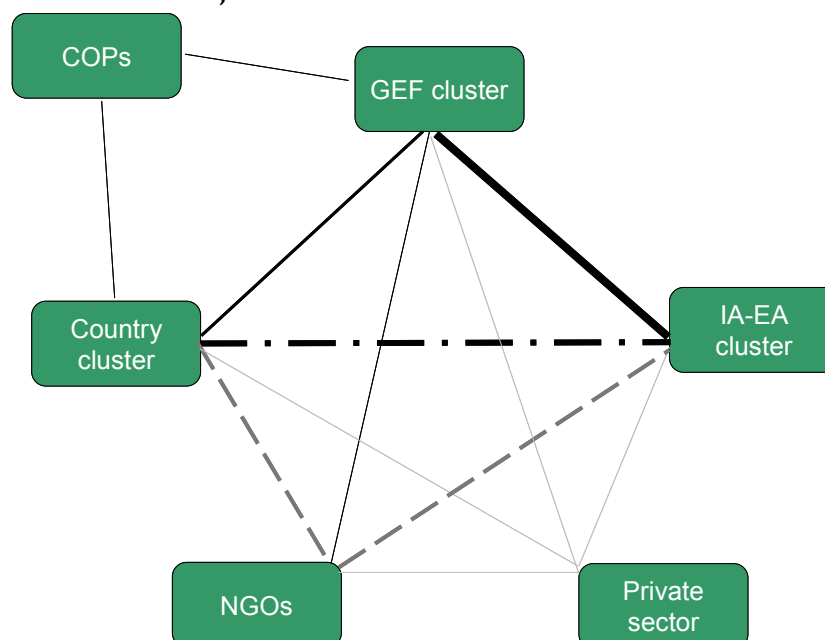
Complex networks such as the GEF require a Network Administrative Office. Through consensus, diplomacy, setting incentives, and sharing information, the Network Administrative Office administers, guides, and coordinates network activities by setting policy, establishing goals, coordinating activities, negotiating parameters of participation, monitoring compliance, and holding the parties accountable.

The GEFSEC provides the Network Administrative Office function for the GEF partnership network: coordinating Interagency Task Forces and Executive Coordinator meetings, maintaining the PMIS, coordinating the Member and Focal Point Support Program and NDI, undertaking dialogue with the convention COPs, and performing general communication and outreach activities with the NGO network, in addition to the day-to-day activities of managing the project pipeline, approval, and oversight responsibilities.

As the Network Administrative Office function matures, the GEFSEC may provide coordination services that will help minimize the marginalization of certain GEF partners. For example, partners such as the recipient countries, NGOs, and private sector are currently marginalized to varying degrees in the GEF, and a central coordination function can ensure that they are adequately represented. Exhibit 45 presents graphically the current status of coordination with the major GEF partners. In the graphic, the thickness and darkness of the lines indicates the relative strength of the relationships between network components. The strengthening of these lines of communication could be catalyzed by the strengthening of the GEFSEC as the GEF Network Administrative Office.

Because transaction costs associated with coordination are inherently higher in a network, they must be managed carefully. Therefore, one way to consider the cost effectiveness of the GEFSEC is to compare the ratio of the GEFSEC's corporate budget to the GEF programming budget over time (a relatively constant 3–5 percent, as mentioned in section 6.1.2) with the increased number of communication channels for which the GEFSEC is responsible for coordinating.

Exhibit 45. Coordination with Major GEF Partners



Between GEF-1 and GEF-3 (2003–04), after fees were unbundled from the GEFSEC’s corporate budget, the budget has remained consistent at approximately 1.5 percent of the annual program budget through GEF-2 and GEF-3. During the same period, however, the complexity of coordinating the annual program budget increased significantly. For instance, during the GEF-2 period, more than 600 projects were approved. Then, in the first two years of GEF-3 alone, more than 450 additional projects, or approximately 75 percent of total GEF-2 approvals, were approved, while only a limited number of GEF-2 projects came to completion. Because the GEFSEC plays a role in project development, approval, and M&E, this proliferation of represents a significant burden on the GEFSEC. Furthermore, during the same period, as mentioned previously, the number of the GEFSEC’s partners increased from about 11 to 21 during GEF-2 and GEF-3,¹⁴ about a 100 percent increase. With these additions, the number of potential communication channels increased from approximately 55 to 210, or about a 400 percent increase. It is clear that not all potential channels are actively used for communication and coordination, but the number represents a significantly large number of channels to be managed and a subsequent increase in coordination costs.

Yet, during the same period, overall coordination did grow stronger. The continual strengthening of the country focal point program and the attention focused on the GEF-NGO network are examples of increased coordination over the time period.

Therefore, OPS3 concludes that the GEFSEC has maintained, and even improved in certain areas, its coordination and management of increasingly complex GEF network activities and stakeholders, while receiving a consistent, relatively flat, percentage of the overall GEF programming budget. Thus, OPS3 concludes that the GEFSEC has increased its overall cost effectiveness during that period.

However, complexity will continue to increase within the GEF network, and it is not apparent that the same proportion of the corporate budget will continue to suffice in the future. Significant areas for improvement in GEF management and coordination clearly exist, and some of these weaknesses may be tied to lack of adequate resources to do the work. If the GEFSEC is to strengthen its role as Network Administrative Office, these resource issues will have to be taken into account.

6.2.2 Implementing Agencies

Historical Context

During the restructuring of the GEF, the roles, responsibilities, and comparative advantages of the IAs were agreed upon in a document entitled “Principles of Cooperation among the IAs” (GEF 1994b), which was annexed to the Instrument. In this agreement, the IAs sought to institutionalize a feeling of partnership among themselves, pledging to “[w]ithin an overall cooperative framework, ...strive for innovative approaches to strengthening their collaboration and effectiveness, in particular at the country level, and an efficient division of labor that maximizes the synergy among them and recognizes their terms of reference and comparative advantages.” This agreement also provided the parameters for those comparative advantages, noting that the UNDP would be the lead agency for capacity building and technical assistance, the UNEP would have primary responsibility for scientific and technical analysis and environmental management, and the World Bank would be the principal agency for investment projects.

OPS1 found that the original definition of roles and responsibilities of the IAs had been blurred, and some of the most important comparative advantages of the IAs “may depend on both the country and the type of institutional process and policy issues involved in a project.” OPS1 thus concluded that the blurring of distinctions among IAs was “not necessarily harmful to the mission of GEF...and...could result in greater responsiveness to country demands and greater efficiency in project preparation if more than one agency is capable of implementing the same type of project.”

OPS2 observed that “[t]he roles of the three IAs have been crucial in the GEF’s operational achievements...and ...each has provided technical expertise and operational experience based on their comparative advantages. Their continued strong involvement in GEF operations will be important for the future of GEF, as it also expands to include new executing agencies.” OPS2 also noted the “existence of a larger number of GEF-committed staff within the IAs.” OPS2 commented, however, that “no single IA can on its own absorb all of the present and planned GEF functions. Neither can the GEFSEC manage these functions on its own. Each entity is a critical partner for ensuring that the GEF evolves effectively to meet expanded operational challenges.”

In the spirit of that partnership, the IAs and the GEFSEC agreed on the roles and responsibilities of the IAs shown in exhibit 46, which were featured in a paper first introduced to the GEF Council in December 2001 and finalized in May 2003 (GEF/C.21/Inf.5).

Current Evidence

Responsiveness

The issue of competing bottom lines was made starkly clear to the OPS3 team in consultations with the IAs. Although the GEF was originally established on the basis of a partnership among the UNDP, UNEP, and World Bank based on their comparative advantages, all IAs reported to OPS3 that, over time, the partnership has evolved from one based on comparative advantages to one based in part on competition. The introduction of competition as an element of IA decision making seems to be of two distinct types.

The first sense of competition the OPS3 team observed was introduced to some extent by the GEF Council in response to concerns about the level of fees when fees were at their peak. IAs report receiving mixed signals from the Council with regard to whether the IAs should continue to collaborate with the other GEF entities and to produce “spillover” benefits in the form of participation on task forces, encouraging inclusiveness, and so on, or whether they should compete with each other for work on the basis of cost. Part of the source of this conflict was a rationale circulated in support of the inclusion of the EAs—that the EAs’ addition would increase competition among the IAs and EAs and thereby drive down costs.

Exhibit 46. Roles and Responsibilities of the IAs

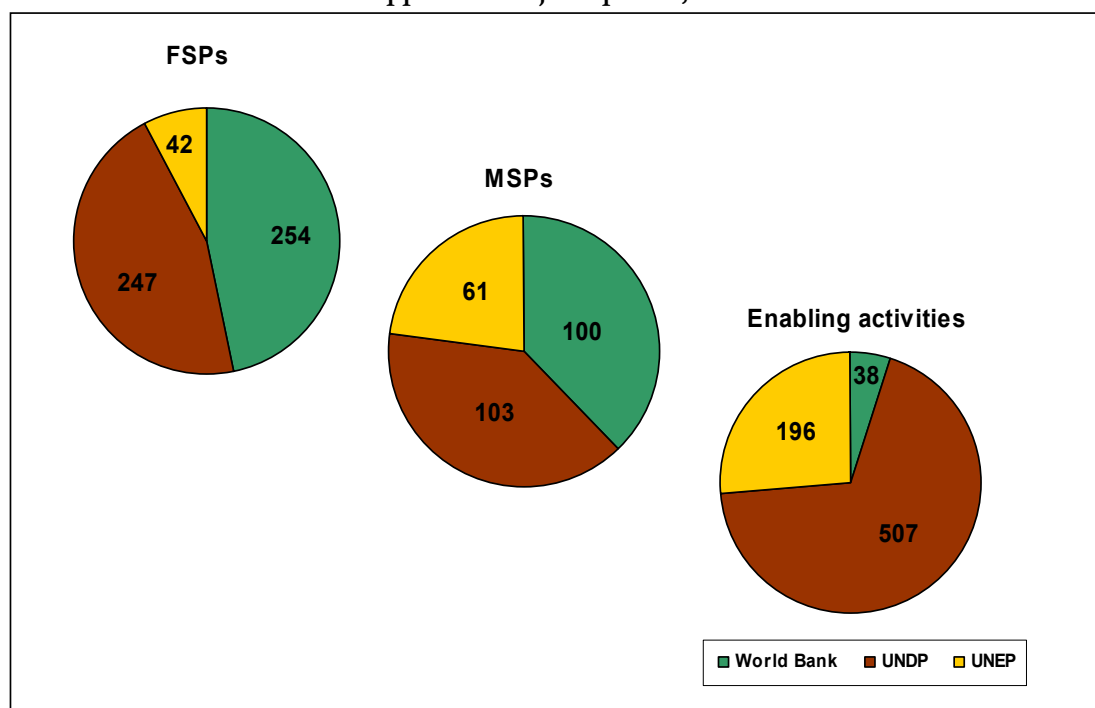
- Implement GEF operations at country level
- Deliver support for specific national focal points
- Provide support for specific constituency
- Undertake country dialogue on mainstreaming GEF operations within overall country programming and on sector policies
- Program at country or multicountry level
- Prepare project concepts
- Develop, prepare, and supervise the implementation of projects
- Manage relations with EAs
- Mobilize project cofinancing
- Work with countries to identify opportunities for programmatic approaches
- Prepare detailed design of an agreed programmatic approach and undertake sector dialogue
- Develop individual project proposals within the framework of the agreed programmatic approach
- Undertake mid-term reviews, project completion reports, and project M&E, including projects under programmatic approaches
- Disseminate project-level information, including lessons learned

All IAs emphasized that they would prefer to work in a collaborative environment, but they all expressed a willingness to enter a phase of strict competition among the agencies if that was the Council's specific directive. In this competition-first scenario, they would continue to participate in some enterprise activities, financed by the corporate budget allocation that they receive in their role as IAs. However, they would begin to compete for project fees, cut away all aspects of project management not directly related to the execution of those projects, and focus on attaining as large a project portfolio as possible within the operational principles of the GEF.

The second sense of competition the OPS3 team observed comes from the ongoing overlapping of IA roles over time, which is causing friction within the system. For example, the UNDP was tasked to do technical assistance projects and the World Bank to do investment projects, and IAs have done both types of projects. Similarly, the UNEP has typically done global and regional projects but is proposing a national project. The EAs have been granted direct access solely for specific competencies, and the additional competition that they bring to the project arena will likely only complicate the current tension between competition and collaboration. Furthermore, an RAF could restrict and constrain the amount of money per country, potentially creating more frictions. The GEF Council should be clear as to whether it would like the IAs to restrict themselves to their original comparative advantages or whether it would prefer that the IAs compete for all projects on an equal basis.

Exhibit 47 shows the number of projects in the GEF portfolio by IA (projects implemented jointly are not included in totals). Although the UNDP has had the largest number of projects approved (857), the World Bank has received the most GEF funding (US\$2,912.9 million). The UNDP has received the second largest total share of funding (US\$1,801.3 million), and the World Bank has implemented the second largest share of total projects (392). The UNEP has had both the smallest number of projects approved (299 projects) and has also received the least amount of GEF funding (US\$417.6 million). In exhibit 47, the total number of projects are shown by FSPs, MSPs, and enabling activities. The type of projects provide only a very gross approximation of comparative advantage, and the breakout of IA allocations by FSP, MSP, and EA is unsurprising. As expected, for instance, the World Bank has implemented the most FSPs and very few enabling activities.

Exhibit 47. Total Number of Approved Projects per IA, 1991–March 2005



The relative rarity of joint projects in the GEF portfolio is illustrated by the fact that there have been fewer than 20 joint projects in each of GEF-1, GEF-2, and GEF-3 (to date), according to the GEF's PMIS (accessed March 2005). IAs, when asked about this fact, responded that joint projects were not common because of the basic structure of the project, rather than the unwillingness of IAs to work together.

One final point about the responsiveness of the IAs is necessary. According to GEF stakeholders, particularly country focal points and government representatives and NGOs, there is a great variability at the country level in the quality and effectiveness of stakeholder experiences with the IAs. In general, IAs have been found to be committed and thoughtful, especially at the headquarters level, but countries report inconsistent IA capacity when interfacing with the focal points and overseeing projects. Although the UNDP has been responsive by providing staff at the regional and country levels, OPS3 found that the UNDP country offices had varying capacities to provide real support to recipient countries. There has also been varying levels of mobilizing of cofinancing among the agencies.

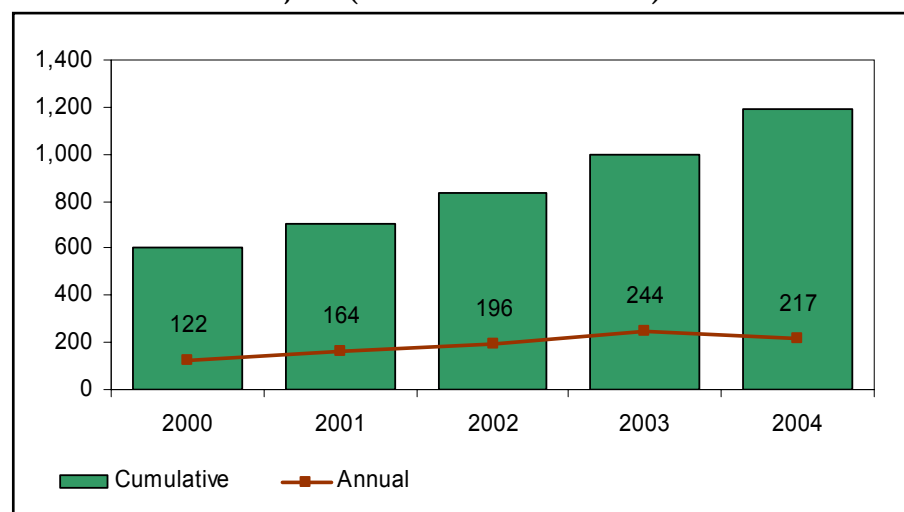
Cost Effectiveness

It is difficult to evaluate project level budget performance because project accounting is not very transparent among key stakeholders, including IAs, EAs, and key program implementation partners on the ground. Moreover, given the lack of standard indicators for measuring global environmental benefits, it is nearly impossible to calculate the cost effectiveness of IAs and EAs at the project level on a dollar per benefit ratio. As a result, OPS3 evaluates only the cost effectiveness of the IAs' corporate budget.

The IAs' corporate budget (not including project fees) as a percentage of overall GEF programming has decreased slightly from 1.7 percent in GEF-2 to 1.4 percent in GEF-3.¹⁵ In real terms, the corporate budget remained relatively flat over the past five years. Corporate monies are allocated for the IAs to participate in network administration tasks. Given the increase in communication channels and overall responsibilities, this suggests that the IAs have been more cost effective in GEF-3 than they were in GEF-2. However, as with the case of the GEFSEC, areas for improvement still exist.

When project fees are taken into account, the IAs' annual income more closely reflects the annual program budget, as is to be expected, because fees are allocated in some proportion to project activities. Exhibit 48 shows the effect of adding multiyear projects to the GEF portfolio over time. (Note: The chart takes into account an increasing frequency of project completion, although an estimate is used in lieu of precise

Exhibit 48. Active Projects (Annual and Cumulative)



Source: GEF Project Management Information System, accessed March 2005.

information on completed projects.) Exhibit 49 shows that fees are proportional to the projects (using the same estimate of project completion for fee completion). Therefore, there should be enough money for the IAs to manage projects through their life cycles.

What these charts do not show, of course, is the amount of interaction among the agencies and among projects. These types of learning experiences can be expected to increase as the portfolio increases. This is a critical aspect of the knowledge-sharing challenge within the GEF network and one that is usually considered “in addition to” normal project management and M&E. As the amount of this type of learning increases, a relatively flat corporate budget may not accommodate the task requirements.

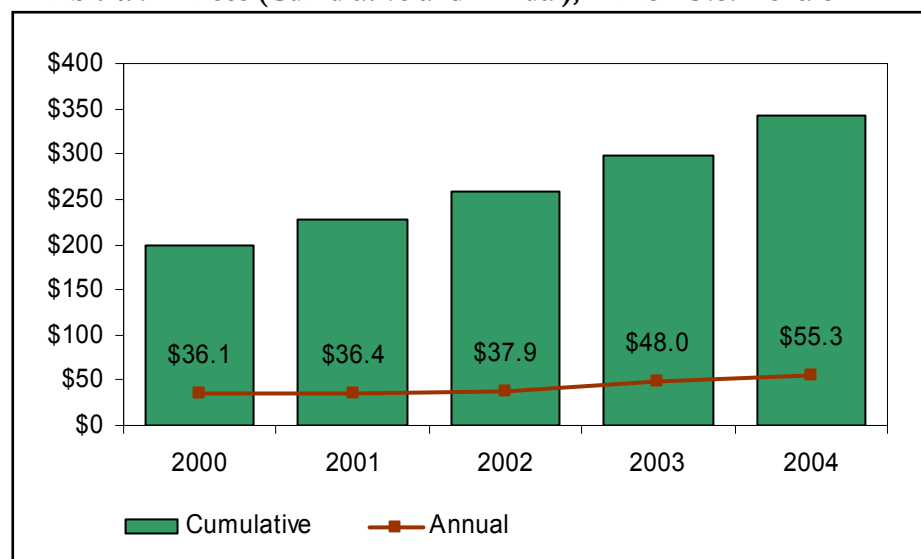
6.2.3 Executing Agencies

Historical Context

The concept of increasing the number of organizations that could implement projects has been under discussion since the founding of the GEF. The Instrument allowed the IAs to “make arrangements for GEF project preparation and execution by multilateral development banks, specialized agencies and programs of the United Nations, other international organizations, bilateral development agencies, national institutions, non-governmental organizations, private sector entities and academic institutions, taking into account their comparative advantages in efficient and cost-effective project execution.”

OPS1 concluded that “increasing the number of IAs could result both in an increase in the number of project proposals submitted to the GEF and a broadening of their range...and...that increased competition among IAs would help reduce the transaction costs of permitting additional organizations to be IAs” (GEF/A.1/4). The First GEF Assembly in New Delhi in 1998 reinforced OPS1, stating that “GEF should...expand opportunities for execution of activities to those entities referred to in Paragraph 28 of the Instrument, in particular Regional Development Banks and non-governmental organizations (NGOs).” (GEF. 1998. “The New Delhi Statement of the First GEF Assembly.” April 1998). Building on the momentum of this statement, the GEF Council analyzed criteria and options for expanding opportunities and adopted a new policy in May 1999 for expanded opportunities for EAs.

Exhibit 49. IA Fees (Cumulative and Annual), Million U.S. Dollars



Source: GEF Project Management Information System, accessed March 2005.

At its meeting in May 2001, the Council approved criteria for selecting new EAs (GEF/C.17/13), including the three main criteria: strategic match, capacity, and complementarity. At this same meeting, the Council granted IFAD expanded opportunities in land degradation and provided direct access to GEF resources to UNIDO and the FAO for undertaking enabling activities on POPs.

The following year, OPS2 recommended that the comparative strengths of the EAs for GEF activities “be carefully examined with respect to areas where the agencies demonstrate fully satisfactory, GEF-relevant, operational capacity to help countries produce effective implementation results. However, once the GEF has ascertained this specific operational capacity, the new executing agencies should be enabled to access the GEF work program and become directly accountable to the GEF Council” (GEFM&E 2002d). The Participants in the Third Replenishment reinforced this recommendation, stating that the ADB and Inter-American Development Bank should benefit from direct access to GEF project funding, and that the experience of the other EAs under expanded opportunities be reviewed annually to determine whether they should also receive direct access.

Current Evidence

Responsiveness

In response to recommendations from OPS2, the Third Replenishment, and the Beijing Assembly, in November 2003, a review of the performance of the EAs recommended that, to reduce the complexities of the IA-EA arrangement and alleviate some of the constraints impeding more active participation from current EAs, all EAs should be granted direct access to GEF project planning and implementation funds without involving the IAs beyond the initial due diligence reviews (GEF/C.22/12).

At its November 2003 meeting, the GEF Council approved direct access for EAs within their agreed comparative advantage and also agreed that on a case-by-case basis, the CEO may approve PDF-A grants for the development of eligible concepts by an EA. In the “Trustee Report” presented at the November 2004 Council meeting (GEF/C.24/Inf.3), the Trustee reported that the ADB, IADB, and UNIDO had finalized their arrangements for direct access to GEF resources. Commitments, disbursements, or both have been made by the Trustee to the ADB and IADB for projects and fees under those arrangements.

One of the facts pointed out repeatedly to the OPS3 team by both IAs and EAs was that the EAs came into the GEF near the end of GEF-3, when available funding was quite scarce. When the lack of funding opportunities is combined with the rather recent decisions regarding direct access, OPS3 concludes that the conditions for EA responsiveness have been somewhat constrained during GEF-3 and it would be premature to conclusively determine whether the EAs have been responsive to the needs and requests of the partners. The EAs have begun to be integrated into GEF coordination activities—for example, the OME’s consultative process and the GEFSEC’s discussions on streamlining the project pipeline—but their project work has been too minimal to evaluate. The OPS3 team has heard reports that the GEF has yet to be mainstreamed into the EAs because of the steep learning curve involved and the associated costs. At this early stage, however, this is to be expected. As GEF-4 proceeds and the EAs begin to gain greater access, the GEF should carefully monitor the progress of mainstreaming.

Cost Effectiveness

In terms of cost effectiveness, the EAs do not receive a corporate budget that OPS3 could compare to the overall GEF programming budget. Furthermore, there are not enough projects as yet (and not enough clarity at the project level) to compare the GEF entities on the cost effectiveness of their projects. See exhibit 50 for a list of projects conducted by EAs under expanded opportunities.

Exhibit 50. Total Number, Value (Million U.S. Dollars), and Cofinancing (Million U.S. Dollars) of EA Projects from GEF 2 and GEF 3

EA	Total number of projects	FSP	MSP	Enabling activities	Total GEF amount	Total cofinancing	Cofinancing: EF ratio
ADB	7	4	3	0	\$38.5	\$177.5	4.6
IADB	2	2	0	0	\$8.2	\$20.3	2.5
IFAD	1	1	0	0	\$6.2	\$9.2	1.5
UNIDO	38	0	0	38	\$21.7	\$6.7	0.3
Total	48	7	3	38	\$74.7	\$213.8	2.9

Source: GEF Project Management Information System, accessed March 2005.

6.2.4 Scientific and Technical Advisory Panel

Historical Context

The effectiveness of the STAP in providing scientific and technical advice to the GEF has been a topic of discussion since the STAP was founded in 1991. During discussions leading up to the reconstitution of the STAP in 1994, its function was envisioned as primarily to advise the GEF on strategic issues while playing a role in ensuring independent review and technical quality of projects.

In 1998, and again in 2002, the previous OPS evaluations found that a number of problems existed in the STAP's ability to fulfill its role, particularly in regard to project reviews, where the reviews, although generally reported to be of good quality, were often performed late in the project design cycle, very quickly, and by a small fraction of the expert roster, which included a majority of experts from developed countries. Both OPS evaluations made recommendations for organizational structure modifications to the STAP to increase its effectiveness.

Recognizing the important role of the STAP as a scientific advisory body to the GEF Council, the Participants in the Third Replenishment of the GEF Trust Fund recommended that its ability to fulfill its strategic advice functions be strengthened. The Participants identified needs to "(1) clarify and focus STAP's role in project development and review; (2) better define its role in the M&E activities of the GEF; and (3) strengthen the involvement of regional and national level scientific expertise in project development and design" (GEF/R.3/38. 2000. "Third Replenishment Agreement." October 2000).

Current Evidence

Responsiveness

In response to the recommendations from OPS2 and the Third Replenishment, the GEF Council, at its meeting held in May 2002, endorsed the recommendation to stagger the terms of appointment of members to the panel by approving the composition of STAP-III. Further, the third meeting of STAP-III, held in October 2003, discussed and agreed on a note prepared by the UNEP on the role of STAP (GEF/C.23/10). A new roster of STAP experts, which includes 224 experts, of whom 40 percent are from developing countries, was established in November 2003. New operational rules for the roster have also been finalized. In October 2004, the STAP had extensive discussions with the GEFSEC and the IAs about work that the panel might undertake over the next two years. The STAP decided that it would emphasize its role as a provider of strategic advice while continuing to advise on narrower, more technical issues (GEF/C.24/Inf.15).

However, despite the strong efforts of the two most recent STAP chairs in trying to refine and focus the work of the STAP and coordinate more closely with GEF entities, OPS3 found a general perception among stakeholders that the STAP is still not nearly as responsive as it needs to be to provide consistent value to the GEF. For instance, stakeholders report that STAP reports are not always relevant to the GEF and, even when relevant, are not provided to GEF entities in a timely enough manner to be useful. The use of the STAP roster is still not perceived as objective because project managers at the IAs are able to choose the roster expert that reviews their project. Moreover, the STAP has not sufficiently reached out to the scientific and research community, as its mandate clearly prescribes. OPS3 found a perception among stakeholders involved with the STAP that STAP members frequently do not have sufficient time to dedicate to their STAP work.

The STAP itself appears to be keenly aware of this perception of its marginalized role, and STAP members commented to the OPS3 team that their mandate still needs to be clarified and redefined.

Cost Effectiveness

The STAP budget as a percentage of the overall GEF programming budget has remained relatively constant over the life of the GEF at 0.3 percent, although rising slightly in real dollars over the past five years (see exhibit 51). During this time, the STAP's responsibility to coordinate with more partners and more projects has increased. However, it is unclear to many stakeholders what outcomes are being produced for that budget. This leads OPS3 to conclude that the STAP needs to be significantly refocused in terms of its mission and structure in order to produce outcomes that are responsive and cost effective.

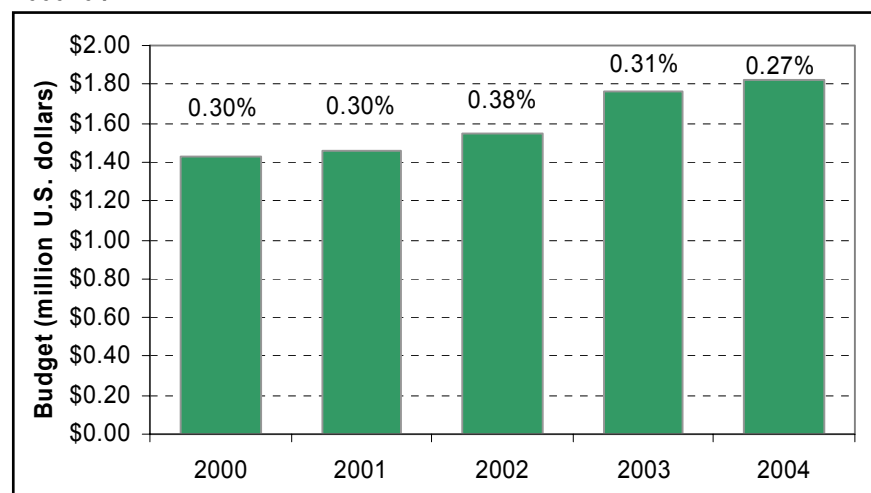
6.2.5 Trustee

Historical Context

The World Bank's role as Trustee of the GEF Trust Fund was established in 1991. As Trustee, the World Bank is responsible for the financial management of the fund, including investment of assets, disbursement of funds to IAs and EAs, and monitoring and reporting on the investment and use of the fund's resources.

While the "GEF-Commissioned Independent Evaluation of the Pilot Phase" (GEFM&E 1993) found the GEF Trust Fund arrangement with the World Bank to be "satisfactory and well-administered," the role of the Trustee was not addressed in OPS1 or OPS2.

Exhibit 51. Corporate Allocation for the STAP, in Millions of U.S. Dollars, 2000–04



Note: Percentages indicate corporate allocation for the STAP as a percentage of overall GEF programming budget.

Source: GEF Project Management Information System, accessed March 2005.

Current Evidence

Responsiveness

Stakeholders report that the Trustee has become a closer partner with the other GEF entities during GEF-3, including its recent efforts to enhance the financial management process. The Trustee held its first annual financial consultation meeting with the IAs and EAs in October 2003. This meeting provided an opportunity to familiarize the agencies with the financial processes and procedures for commitments, disbursements, and financial reporting that is required by the Trustee. At the request of the GEF Council in its November 2003 Council Meeting, the Trustee completed drafting and negotiating 10 Financial Procedures Agreements with the IAs and EAs during fiscal 2004.

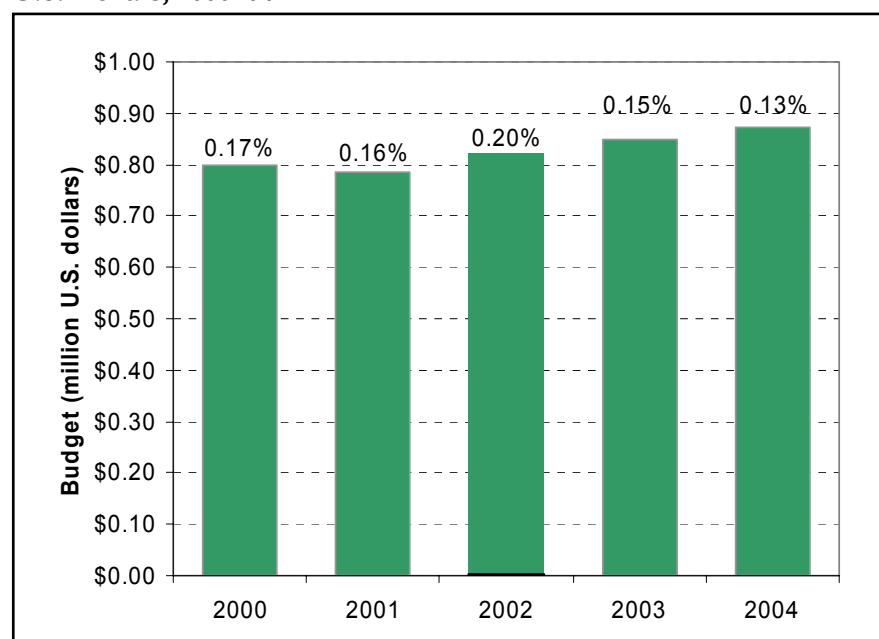
However, the Trustee seems to play a back-office role within the network. Few of the other GEF entities mentioned the Trustee as a significant force in the activities of the GEF.

OPS3 concludes that the Trustee can play a more integral role in GEF-4. For instance, during consultations with representatives of the Trustee, the OPS3 team discovered that there are difficulties of systems integration with the GEF entities, which makes disbursement and tracking cumbersome processes. OPS3 strongly recommends that the GEF develop an effective MIS during GEF-4. The Trustee, as one of the key stakeholders in the flow of funds through the GEF network, must play a major role in the analysis and development of this important system.

Cost Effectiveness

The Trustee's corporate budget as a percentage of the overall GEF programming budget has decreased in each of the GEF periods, while the real amounts have increased only slightly over the past five years (see exhibit 52). However, the actual amount of funds to be disbursed, as well as the number of partners to disburse to, have increased. OPS3 concludes that the World Bank, in its role as Trustee, has been a cost-effective partner in the GEF network. Still, there is a question about whether the Trustee can, and should, play a larger role with the GEFSEC in improving financial reporting throughout the network.

Exhibit 52. Corporate Allocation for the Trustee, in Millions of U.S. Dollars, 2000–04



Note: Percentages indicate corporate allocation for the Trustee as a percentage of overall GEF programming budget.

Source: GEF Project Management Information System, accessed March 2005.

6.2.6 Monitoring and Evaluation

M&E is a critical function in the GEF as a partnership network to ensure that the partners in the network are evolving in a coordinated and complementary manner. M&E is a network responsibility of which the OME is the steward. As such, the OME requires effective M&E from all the partners of the network. Exhibit 53 presents the characteristics that OPS3 sees as indicators of effectiveness for M&E in the GEF.

Historical Context

In April 1996, the GEF Council approved previous recommendations about the establishment of an M&E unit (GEFM&E), thereby formally establishing an M&E function at the GEF. This roughly corresponded with OPS1, and no conclusion could be reached in that report concerning the performance of the GEFM&E. However, OPS2 did assess the effectiveness of M&E within the GEF, including the role and function of the GEFM&E, and found that a better understanding of evaluation responsibilities needed to be developed between the GEFSEC and IAs, and that the GEFM&E should strengthen their assessments of results and impacts by focusing on program evaluation—predominantly assessing the effectiveness of GEF investments.

Based on these findings, OPS2 recommended that the functions of the GEFM&E should be strengthened and expanded “so that it can play a supporting partnership role in mid-term reviews and project evaluations, particularly by providing advice on TORs for mid-term reviews and final project evaluations, contributing to the review of each of these reports, reviewing and compiling the results reported from project evaluations, and arranging adequate feedback to all GEF partners” (GEFM&E 2002d).

The Participants in the Third Replenishment of the GEF Trust Fund reinforced the conclusions of OPS2, recommending that, among other things, “the GEF M&E Unit, the Secretariat, and IAs and EAs develop a common interagency approach on indicators to be used for more systematic monitoring of activities and document best practices of stakeholder participation,” and that “the GEF M&E unit should be made independent, reporting directly to the Council.” The Beijing Assembly further reiterated the recommendations of the replenishment related to indicators, the independence of the GEFM&E, and procedures to disseminate lessons learned.

Current Evidence

Since OPS2, the GEFM&E has been in the process of redefining both its process and structure in the GEF network. First and foremost, in response to the recommendations of the Third Replenishment and Beijing Assembly, TORs for an independent M&E unit reporting directly to the GEF Council were approved by the

Exhibit 53. Indicators of Effectiveness

- Are GEF results monitored and evaluated on multiple levels?
- Is there a commonly accepted conceptual model for how benefits are created by the GEF?
- Are there clear expectations for network (external) outcomes and impacts and how they are measured?
- Are internal expectations and measures for accountability clear?
- Are there clear records of GEF results? Are they the right measures?
- Are evaluation outputs formulated in actionable ways and used by the organization?
- Is quality assurance built into systems?
- Do people throughout the network understand the M&E function? Do people understand their responsibility?
- Is the percentage of resources spent on M&E realistic?
- Does the M&E approach demonstrate an understanding of the unique aspects of M&E in a network?

Note: These indicators have been derived from discussions with OME and other stakeholders, as well as a review of literature on the challenges of M&E in a network situation. The indicators provide a foundation for the analysis that follows, although each one is not explicitly addressed.

Council in July 2003, and a new director of the OME was appointed, bringing international experience and a fresh perspective to the unit. To reflect its independence, in 2004, the GEFM&E was renamed the Office of Monitoring and Evaluation. The new independent structure of the OME has implications for the processes of M&E in the GEF, which are now being discussed among the GEF entities through the consultative process.

Undertaking the Consultative Process and Separation of M&E Functions

Recognizing that OME responsibilities can be fulfilled only with the collaboration of the GEFSEC, IAs, and EAs, the OME proposed, in “Elements for a New GEF Monitoring and Evaluation Policy” (GEF/ME/C.24/1), to begin a collaborative effort with the evaluation units, offices, and departments of the GEF partners. The purpose of the consultative process is to identify best practices in environmental evaluations and in monitoring the specific issues of concern to the GEF. The OME held the first consultative workshop in January 2005 with the IAs, EAs, and GEFSEC, which the OPS3 team attended. Follow-up meetings were held in Europe for EAs that were not able to attend in January, as well as additional consultations with the STAP, NGOs, and other stakeholders.

This consultative process is evidence of growing harmonization of goals and processes across the GEF. OPS3 encourages the continuation of this process, especially given the broad stakeholder involvement approach that the OME has chosen. In particular, OPS3 supports the idea of engineering quality into the M&E system through the validation of IA M&E systems. Indeed, the consultative process can be seen as a positive step toward developing an M&E community of practice throughout the network. Communities of practice are groups of people connected by technology and a common mission, and they offer a powerful, minimum-cost way to build trust and understanding throughout a network, thereby improving the overall quality of services (Goldsmith and Eggers 2004). Trust among partners is critical to success in a networked organization, especially in the context of M&E. The more trust among partners in a network, the less redundant evaluation is required (for instance, one entity evaluates something and presents a result, which is then evaluated by another entity for accuracy). Indeed, the consultative process seems to be building trust and understanding among M&E participants across the partnership network; stakeholders commented receptively to the OPS3 team on the consultative process and the positive impacts they believed it would generate. In particular, almost all stakeholders agreed that the M&E functions should be separated, and that the process would help to ensure that separation was done effectively.

In “Elements for a New GEF Monitoring and Evaluation Policy,” the OME proposed to start a process of consultation with GEF partners to develop proposals for a new division of labor in M&E activities. Because the current monitoring system in the GEF concentrates on implementation issues rather than progress toward achieving results, the OME considers the monitoring function to be a management instrument to keep activities on track. To better use the monitoring capacities and resources across the GEF system, the OME proposed the following roles:

- *IAs and EAs* would retain responsibility for project monitoring (reporting to the GEFSEC) and project evaluation (submitting TEs and mid-term reviews to the OME).
- *The GEFSEC* would assume responsibility for portfolio monitoring.
- *The OME* would play an oversight and validation role of M&E systems put in place by the GEFSEC, IAs, and EAs to ensure that GEF concerns and policies are properly incorporated. The OME would also be responsible for verifying the attainment of replenishment targets. Additionally, the OME would undertake overall performance, cross-cutting, and program studies and report directly to the GEF Council in an annual GEF performance report on issues related to the quality of M&E systems, results, and follow-up.

OPS3 encourages dividing the M&E functions among the IAs, EAs, GEFSEC, and OME, especially because it would allow the OME more time and resources to focus on other important evaluation activities, such as

monitoring at the level of the network (discussed below). The OME should continue to provide oversight and guidance to IAs and other partners on monitoring activities within the GEF.

Moreover, to date, monitoring in the GEF has focused much more closely on results at the project level and not at the project portfolio level (for example, aggregate trends in the GEF portfolio). Assigning this portfolio function to the GEFSEC will ensure that someone has responsibility for this important task and the impacts of strategic decisions on the portfolio are tracked and fed back into subsequent strategic decisions. That said, if monitoring at the project level is transferred completely to the IAs and EAs, the GEFSEC and OME must define clearly not just what the best practices are for monitoring (as discussed above), but also what specific data they expect to see from the IAs and EAs. Further, the information that is reported by the IAs and EAs must be compatible with the MIS that is being developed (see section 7.2 for a more detailed discussion of the MIS). Collecting those data in a central place is critical for information transparency.

While there is still much work to be done to ensure that the monitoring systems of the IAs and EAs—some of which are very sophisticated in their own right—can take into account the specific concerns of the GEF, the OME is making progress toward this goal. As an input to the first consultative meeting on M&E across the GEF, the paper “Overview of Monitoring and Evaluation Approaches in the GEF Family” (Baastel 2005) was prepared by an independent consultant. This paper reviews the current monitoring systems in each of the IAs and EAs and concludes that while “all IAs and EAs reviewed have a form of monitoring and evaluation unit/department responsible for the monitoring system design and for the provision of monitoring support and overall guidance on monitoring activities,” there is a definite need to harmonize and standardize IA and EA M&E systems and build the GEF network’s capacity to perform consistent, results-based monitoring.

Refocusing M&E by the OME

M&E in the GEF has to date grouped its evaluations by focal area, but not by country, a reflection in part of the lack of a programmatic approach in the GEF. “OME’s Four Year Work Plan” (GEF/ME/C.24/5), presented to the GEF Council in November 2004, did, however, identify country portfolios as an area that has not been evaluated in the past four years, and that it would like to focus on. OPS3 would encourage the OME to begin to evaluate country portfolios to the extent possible because projects in countries have ostensibly not been developed to generate a portfolio per se. In the event that an RAF is approved by the Council, regardless of the specifics of the framework, it is highly likely that some evaluation of countries’ performance will be required, and it would benefit the OME to get a head start on working out the details and addressing the inherent challenges in performing such evaluations.

Moreover, to date, the GEF’s focus on has been on results produced by projects and the accumulation of those results to constitute the overall results of a focal area portfolio. (The OME has conducted several thematic reviews—the Local Benefits study is a good example—that look at network-wide issues, but these studies are less frequent, and many issues, such as sustainability and catalytic action, are left to the program studies and the OPS evaluations.) The GEF should be more concerned, however, with the sustainable impact of a portfolio over time than the individual projects that make up a portfolio. Indeed, the focus on the results of individual projects significantly complicates the task of reporting overall results of the GEF because project results cannot easily be aggregated for an overall portfolio impact. Instead, the GEF has a “patchwork quilt” of positive project results that cannot be simply assimilated. Results should be assessed over time, especially at the country level.

To that end, “OME’s Four Year Work Plan” proposed to explore whether it is possible to include impact assessments concerns in pilot projects and OME evaluation tools. Recognizing the difficulty of reporting on postproject completion and long-term impacts, OPS3 supports this exploration. In further support of this initiative, the GEF Council must acknowledge that, despite its requests, evaluation of outcomes and impacts is effectively not provided for within the current GEFM&E system and, perhaps more important, will likely not be provided for until the GEF Council decides to provide resources to support such activities.

Further, monitoring and measuring results in a complex system is very difficult. Thus, to enable more effective measurement of results, the GEF Council should provide clearer definitions in terms of the expected outcomes, the expected contributions of the partners, and the expected costs. However, clearer expectations are not the panacea to better measurement; in a network as complex as the GEF, and with the added complexity of the fact that the GEF's contribution covers only the costs of global benefits, it is inherently very difficult to measure and attribute results.

M&E at the Level of the Network

In “OME’s Four Year Work Plan” (GEF/ME/C.24/5) and in its budget, the OME proposed to refocus its evaluations into three main areas: (1) focal areas, including OPs and Strategic Priorities; (2) cross-cutting and thematic issues, including local benefits, indigenous people and capacity building, the guiding principles, and country portfolios; and (3) institutional and procedural issues, such as regional and global projects, cost effectiveness, the project cycle, the fee system, M&E, and KM. Although OPS3 assumes that the third main area is at the level of the network, OPS3 would further encourage the OME, as it redefines its policy, to think of that area as an evaluation of the network itself, rather than just institutional and procedural issues.

As a partnership network, the GEF reacts in complex, inter-reliant ways to changes in its own rules, as pointed out in section 6.1. For instance, instituting an RAF will have significant ripple effects on the GEF as a network, all the dimensions of which cannot be anticipated before implementation. Other changes in the rules of the GEF, such as in the IA fee system or in separating M&E functions, will also have unknown, systemwide impacts. These impacts should be monitored to ensure that such modifications of rules or procedures are not having unexpected negative effects on the functioning of the network. The OME and the GEFSEC should work together to define this range of effects and decide who should be responsible for monitoring those effects on a real-time basis. In doing so, the OME and the GEFSEC should be sure to evaluate the effectiveness of the partnership network according to network characteristics.

In this same vein, the OME should further investigate the special implications of evaluation in a network organization, as well as emerging approaches to context-sensitive M&E, which instruct that an M&E system “must be sensitive to differences and changes in context to accommodate uncertainties and ambiguities arising from the human factors central to [the program]” (Brunner 2004).

M&E at the Level of the Frontier of Environmental Science and Practice

In addition to the three levels of evaluation described in the sections above, the OME should also consider monitoring and evaluating benefits at the level of advancing the knowledge frontiers of environmental science and practice, which, as pointed out section 7.2, though not the overall goal of the GEF, is a positive externality of GEF activities and takes root in some of the GEF Strategic Priorities and in research components of certain projects. Indeed, as other evaluations such as OPS2 and the program studies have indicated, GEF projects have made valuable contributions to the science of environmental management and practice, which should be tracked and reported on. Perhaps the OME could collaborate with the STAP and the IAs and EAs in this level of M&E.

Absorbing Evaluation Findings and Recommendations

Stakeholders at all levels communicated to the OPS3 team during field visits that some of the publications produced by the GEFM&E have been somewhat inaccessible to them, in large part because they have found the evaluations too dense to be easily digested and integrated into their day-to-day operations. Even at the IA level, some stakeholders reiterated the concern that GEFM&E evaluations were too dense and descriptive to facilitate easy uptake of recommendations. Fundamentally, these comments point to a distinction between informing knowledge and productive knowledge.

At the highest level, “Elements for a New GEF Monitoring and Evaluation Policy” (GEF/ME/C.24/1), presented to the GEF Council in November 2004, outlined an approach for follow-up on M&E reports through a system of management responses prepared by the GEFSEC and a management action record (MAR), maintained by the OME. OPS3 finds the management responses to be a very positive step toward promoting accountability for the implementation of decisions by the Council, it is only one level within the complex network of the GEF. To respond to the concerns of GEF stakeholders at all levels, the OME must work to ensure that its recommendations approved by the Council are able to be absorbed at the IA, EA, and country levels. This effort will be very closely connected to KM activities that OPS3 is recommending be undertaken in the GEF (please see section 7.2 for a more detailed discussion).

6.2.7 Nongovernmental Organizations

NGOs accredited to the GEF have been organizing themselves through the GEF-NGO network since 1995. Currently, the network is structured around 15 regional focal points, including 1 for indigenous peoples in the developing world, 2 regional focal points from donor constituencies, and a central focal point. In May 2003, the roles and responsibilities of GEF partners, including NGOs, were set out in the document “Clarifying the Roles and Responsibilities of the GEF Entities: (GEF/C.19/8). The NGO network was specifically tasked to disseminate GEF policy and project information to multiple stakeholders and promote ongoing dialogue. The

NGOs and the GEF

In addition to NGO involvement at the GEF project level, NGOs also play a role at the GEF policy level. Ten seats are reserved in the GEF Council for NGO observers (two of which are reserved for IPOs), and more than 430 NGOs are accredited to the GEF-NGO network—a voluntary network coordinated by regional focal points who help select attendance at GEF Council meetings and disseminate the outcomes of GEF Council meetings to NGO networks in their regions. Before each GEF Council meeting, the GEF convenes a one-day NGO consultation meeting. In recent years, the GEF has provided travel and subsistence funds to enable the increased participation of NGOs from developing countries. Additionally, NGOs have participated in various working groups and other activities initiated by the GEFSEC (for instance, for the design of MSPs, enhancing M&E activities) and lobbying for donor contributions.

However, there are several limitations and issues related to the involvement of NGOs in the GEF, as expressed by NGO stakeholders during OPS3 field visits and interviews. The major obstacles and issues include:

- NGOs have difficulty understanding the GEF and IA requirements, and they lack access to information (for example, related to proposal requirements, reasons for project rejections, IA procurement and administrative requirements, and so on).
- There is a lack of IA responsiveness to NGO inquiries, input, or both.
- Delays in project approval (from country focal points, the GEF Council, or both) and fund disbursement pose great challenges to NGOs.
- Project development and reporting requirements are cumbersome and time consuming; this serves as a barrier, especially for smaller NGOs.
- NGO participation in many countries is superficial, controlled by IAs or country governments.
- Cofinancing requirements limit participation of NGOs because of the lack of capacity to organize counterpart funds.
- NGOs should play a greater role in GEF M&E procedures.
- Lack of resources is a constraint to NGO participation in the network.
- Coordination within the network is difficult because important issues vary by geographic region.
- The NDI often does not include NGOs or other local stakeholders.

Some of these findings—for instance, those related to limited access to information and involvement in GEF activities—were identified in the 1999 report, *Improving GEF Country Level Coordination: Experiences, Views, and Recommendations from the NGO Community*. However, despite these obstacles, some of which may be persistent, NGOs told the OPS3 team that they are appreciative of the inclusive processes of the GEF, which they perceive to help foster broader and deeper NGO participation in international environmental protection efforts. Most NGOs believe that they have some influence on the thinking and priorities of the GEF Council, and that they have been strengthened by their involvement in GEF projects. NGOs were also hopeful that the “NGO Guide to the GEF,” due out in the summer of 2005, will help answer common questions about the GEF in simple, understandable language.

large number of NGOs participating in the GEF, as well as varying levels of capacity with respect to modes of communication, has posed a significant challenge for the NGO network. OPS2 concluded that the NGO focal point system, with a few exceptions, was “ineffective in information dissemination.”

Current Evidence

Roles and responsibilities must be clear, or competition will overcome collaboration among partners. As the proverb goes, “good fences make good neighbors.” In addition to efforts to clarify the roles and responsibilities of the NGO network and the recipient countries, the GEF partners themselves have made efforts to more clearly define their own functions since OPS2. For instance, in May 2003, the GEF-NGO network adopted “Guidelines for the Coordination Committee of the GEF-NGO Network” (GEF 2003a) to clarify its functioning, structure, and the responsibilities of the focal points. The guidelines also established election procedures to enhance transparency and representation of more than 600 NGOs accredited to the GEF. Additionally, the OPS3 team found that, in attempting to coordinate NGO participation during field visits, information on NGO partners was not current. The recent appointment of dedicated staff to support NGO network interaction will improve NGO coordination within the GEF.

6.2.8 Participant Countries

The roles and responsibilities of participant countries are to (a) identify national priorities, (b) ensure that GEF projects conform to national priorities and country strategies, (c) ensure consistency with national priorities for conventions through coordination, and (d) collaborate with the OME on reviews of in-country activities. More specifically, the political focal point is expected to serve as the country contact for Council matters and constituency coordination, and the OFP serves as the country contact for national policy and project coordination.

According to OPS1, the GEF focal point system was not adequately institutionalized in some countries, with some focal points not clear on their roles or unable to fully carry them out because of internal weaknesses. OPS2 noted the growing need to ensure that the OFPs are working effectively, given their increasing importance as more actors are entering the GEF (for example, EAs).

6.3 Challenges and Strategic Tradeoffs

OPS3 found that roles and responsibilities were not always clear for IAs and EAs, especially with regard to collaboration and competition. On the one hand, IAs are aware of their stated comparative advantage, and OPS3’s review of the project portfolio across all focal areas found that the majority of projects in the pipeline are well aligned with these comparative advantages. However, the OPS3 review also found that there were a number of projects for which it was not possible to discern from looking at the characteristics of the project why a particular IA was the implementer of record. The OPS3 team also heard testimony, from the IAs themselves and other stakeholders, that competition for projects and resources was forcing IAs to look ever wider for projects and investigate new lines of business to support their sustained growth, even when those projects crossed over into the comparative advantage of one of the other IAs. This tendency to blur the boundaries of the IAs’ roles is further exacerbated by the addition of the EAs that must find their way within the GEF project context. EAs have an uncertain mandate and a large learning curve to climb in order to function competitively in the GEF “market.” In fact, only four of the seven EAs with expanded opportunities have signed a memorandum of understanding (MOU) with the GEF that officially sanctions their ability to implement projects solely. The EAs are the lead on only 38 of the more than 1,500 projects implemented by the GEF, which further underscores the nascent aspect of their involvement and speaks to the competitive playing field and dwindling funds under GEF-3.

At the same time that competition is, in some cases, straining the trust among corporate entities, collaboration among project proponents, including IAs and EAs, is being fostered by the GEF as a means to improved functioning (and cost effectiveness) and is specified in the Instrument. In discussions with the GEFSEC and the IAs, it was clearly stated to the OPS3 team that unlimited competition will be at odds with collaboration. For example, implementing projects jointly and the associated fee sharing imply collaboration, but competition implies developing and implementing wholly owned projects with a single manager claiming the entire fee. Left to their own devices, the IAs will not likely be able to solve the equation between competition and collaboration on projects effectively.

6.4 Recommendations

- *The GEF should formalize the role of the GEFSEC as the Network Administrative Office.*

The GEF Council should acknowledge the critical contribution of coordination within the GEF to the success of GEF efforts. This role includes managing the challenges associated with a network—providing strategic alignment, coordinating and motivating network partners, managing tradeoffs between competing bottom-line results, managing capacity shortages, and so on. The GEF Council should adjust resources where necessary to allow the GEFSEC to coordinate network activities in a more comprehensive and strategic way.

OPS3 recognizes, as OPS2 and the 2004 program studies have also, that the GEFSEC is currently understaffed and underbudgeted to take on this comprehensive coordination function. Unless the coordination function within the network is taken seriously, the network will produce degraded results. Therefore, the GEF must be willing to commit resources to support a Network Administrative Office in performing the coordination activities essential in a network, as outlined above. The GEF network as a whole may actually be more cost effective if the Network Administrative Office were organized and staffed at a level appropriate to the coordination challenge, rather than administering the network using the current somewhat ad hoc approach.

To that end, the GEFSEC, as Network Administrative Office, should consider formalizing the organizational functions discussed below.

Communication, coordination, and outreach cover communication with all the GEF partners in relation to capacity and coordination, including:

- Country partner capacity encompasses all the functions currently associated with the Country Relations Team at the GEFSEC, including coordinating the Council member and focal point support program and the NDI. These activities should be expanded, however, to make countries capable of being true partners in the GEF, rather than simply recipients. To that end, a function may be to assist countries in understanding and implementing an RAF or other important policy decisions that affect country partners.
- Communication and outreach has two distinct functions—communication with existing partners and with the external community:
 - Coordination and outreach with other partners, including NGOs and the private sector—recognizing that NGOs and the private sector should be full partners in the GEF network (as illustrated in exhibit 45). This function would have responsibility for administering the GEF-NGO network and, as the GEF starts to engage the private sector more, for reaching out to and coordinating with private sector partners.
 - External entity outreach—as OPS3 discussed under section 6.1, a more aggressive outreach campaign to broadcast GEF accomplishments to external stakeholders is needed in the GEF. Indeed, greater visibility of the GEF may enhance the catalytic impact of the GEF through

increasing the external community's awareness of the global environmental benefits that the GEF generates and thus their willingness to donate cofinancing. To that end, in collaboration with the IAs and EAs, this function is responsible for communicating the GEF results to external entities.

Management, information, and policy encompass:

- Policy and planning—developing policy documents for the Council to review at their biannual meetings, including planning documents such as the annual Business Plans and Corporate Budgets, as well as implementation of policy approved by the Council, for instance, an RAF or any new IA fee system.
- Information management—performing both KM and MIS functions (as discussed in chapter 7) with the bottom-line goal of information transparency in the network and to provide information support for monitoring at the portfolio level.
- Project cycle management is responsible, in close coordination with the focal area teams, for managing the project lifecycle, including the pipeline.

Focal area teams—the existing focal area teams would report directly to the deputy CEO and Management, Information, and Policy CEO as appropriate, but would also coordinate with the Communication Coordination and Outreach and Management, Information, and Policy Teams as needed. Focal area staff would still participate in Interagency Task Forces. However, the question has been raised that with the implementation of a country-focused RAF and a growing interest in an interdisciplinary approach, whether regional teams managing a regional portfolio may be more effective than the current focal area teams.

- *Roles and responsibilities for all partners must be clear, and outreach and collaboration must be encouraged.*

In particular, the GEFSEC needs to work with the IAs and EAs to clarify roles and responsibilities and work through the competition or collaboration challenge—an issue that has the potential to seriously affect the quality of GEF results during GEF-4 if it is not managed effectively and proactively. Because there are already disincentives to collaborate, including competition for resources and projects, and there is still poor transparency and less-than-perfect trust in the system, it is essential that the GEFSEC take more of a leadership role in enunciating the positioning of collaboration and competition in the system. OPS3 recommends that an ongoing dialogue among the GEFSEC, IAs, and EAs be undertaken to voice issues on the advantages and disadvantages of, and ways to optimize, the competition versus collaboration nexus. This dialogue could, for example, be in the form of a regularly scheduled workshop or contact group that convenes before Council meetings (TORs 4A and 4D).

- *The role of the STAP should be revisited, and structural and organization changes should be undertaken, to allow the STAP to provide their reviews in a timely fashion.*

The STAP is currently a marginalized partner in the GEF. Several efforts would assist the STAP in becoming a more involved and valued member of the GEF network:

- The STAP should be the liaison with the external scientific community, providing the GEF with the latest on science and practice trends, and working with the OME on some reviews.
- To make the roster review process more objective and independent, the STAP, instead of the project managers, should be responsible for choosing experts from the roster for project review.
- The STAP should undergo structural and organizational changes to enable it to provide relevant reviews in a timely manner. One possibility could be a streamlined STAP of seven panel members (that is, one panel member to cover each of the focal areas, including the cochair and a STAP chair who serves as a political liaison with the other GEF entities) that commit a greater portion of their

time (for instance, half instead of quarter time) to serving the STAP. Requiring a greater time commitment from a fewer number of panel members could improve the overall commitment level of panelists to their STAP work. STAP activities would be coordinated through these seven panel members, who would draw on their networks with the greater scientific community, as well as on more junior scientists and consultants who have the time to undertake such activities.

- *The OME should formalize the consultative process.*

OPS3 recommends that the consultative process be formalized and institutionalized to create a community of practice of M&E in the GEF, as discussed above, especially if this new division of roles and responsibilities in M&E as proposed by the OME is approved by the GEF Council. For instance, the GEF entities could meet once or twice per year to check on the effectiveness of the current process and share knowledge gained through experience.

- *Together, the OME, GEFSEC, and IAs and EAs should ensure that M&E is covered at all levels.*

Through the consultative process, the OME, GEFSEC, and IAs and EAs should come to an agreement on how to most effectively separate project and portfolio monitoring from evaluation. Monitoring at the portfolio level is an essential task to inform strategic decision making by the GEF Council, and it should be assigned to the GEFSEC, as is currently under discussion. Monitoring at the project level should remain with the IAs and EAs, and the OME should work to engineer quality into the M&E system through validation of IA and EA M&E systems. To that end, the OME and GEFSEC should establish clear, results-based expectations for IA reporting and ensure that IAs have the capacity to perform that monitoring and reporting.

In addition to current focuses on focal area, cross-cutting, and institutional evaluations, as set out in “OME’s Four Year Work Plan” (GEF/ME/C.24/5), OPS3 strongly encourages the OME to begin to evaluate country portfolios, especially in light of ongoing discussions regarding an RAF in the GEF.

Further, although OPS3 regards as a very positive step forward that monitoring at the portfolio level is being specifically called out and assigned to the GEFSEC, monitoring and evaluation by the OME must happen explicitly at the level of the network. The OME should begin to monitor the health and the effectiveness of the GEF partnership network itself, paying particular attention to the ripple effects of changes in GEF procedures and rules, such as the employment of an RAF. Perhaps the GEF could adapt the set of criteria for network effectiveness that OPS3 has presented in its discussion of TOR 4D in section 6.2. OME should also begin to monitor and evaluate benefits at the level of the frontier of environmental science and practice, for example, the intellectual contribution that GEF projects are making to the environmental management body of knowledge.

- *The OME should endeavor to better ensure that its evaluations are easily digestible, actionable, and relevant to stakeholders.*

Keeping in mind that evaluation results will be at multiple levels, the OME must carefully consider who its target audience is for each evaluation—the GEF Council, GEFSEC, IAs headquarters staff, IA in-country staff, project managers, NGOs, focal points, or other stakeholders—and tailor the evaluation output to the needs and absorptive capacity of those stakeholder groups. In this way, evaluation products will be better absorbed at all levels of the GEF, especially among stakeholders further out in the network, such as in-country stakeholders. As noted, this effort will be closely intertwined with the KM activities that OPS3 is recommending that the GEF undertake (please see section 7.2 for more information.)

7. GEF Procedures

This chapter discusses the effects of GEF procedures on the achievement of its mission and mandate. In doing so:

- Section 7.1 discusses the project cycle in response to TOR 5A,, the principal coordinating mechanisms in the GEF network.
- Section 7.2 discusses information and communication transparency and knowledge sharing in response to TOR 5B.
- Annex E addresses progress on GEF Council recommendations since the last replenishment talks in response to TOR 5C.

7.1 GEF Project Cycle (TOR 5A)

Since its introduction in 1995, the GEF project cycle has been a focus of evaluation in the GEF, a guide to project designers and implementers, and a source of both achievement and frustration for many GEF stakeholders. This analysis addresses the project cycle at its two main stages, design and implementation, in addition to discussing pipeline management and different project modalities.

7.1.1 Historical Context

The GEF has a history of working to improve all stages of the project cycle. In approving the project cycle in May 1995, the GEF Council “stressed the need to apply project review procedures flexibly, recognizing the differences that may exist among specific projects, focal areas, and regions. The Council agreed to keep the Project Cycle under review, particularly in light of the information and analysis that will be generated through monitoring and evaluation activities.” (GEF/C.4. 1995.). It was understood that the cycle should be upgraded by the GEFSEC as necessary to reflect any additional policies approved by the Council.

Since then, the Council has approved a number of other policies and procedures that have upgraded the project cycle. Among many modifications, significant changes to the project cycle have included (GEF/C.16/Inf.7 “GEF Project Cycle.” October 2000.):

- The approval of expedited approval and disbursement procedures for PDF grants, enabling activities, and MSPs, and the increase of CEO approval authority up to US\$1 million for MSPs
- The integration and refinement of M&E activities throughout the project cycle
- Phasing in the logical framework approach for project preparation and review
- The selective delegation to the GEFSEC of the project endorsement review
- Strengthened country involvement in estimating incremental costs
- The advance publication of the GEF pipeline to facilitate reviews in member countries
- The approval of expedited disbursement procedures for PDF grants

Both OPS1 and OPS2 recognized the efforts of the GEF entities to streamline the project cycle, and they specifically noted that the UNDP and the World Bank had both implemented significant reforms of their internal project cycles. However, despite these efforts by the GEF entities to streamline the project cycle, OPS1 concluded that the GEF project cycle was “protracted and complex” and that reforms to date had not adequately addressed the problem. Similarly, OPS2 found that “although some streamlining of the project

cycle has occurred, there is still a need to further improve GEF review and processing procedures” (GEFM&E 2002d). OPS2 recommended that a tracking system be implemented so that projects could be more easily and transparently followed, particularly by operational focal points. Participants in the Third Replenishment recommended that the Council should “formulate stricter criteria for project and program quality, including criteria on co-financing, on the basis of monitoring and evaluation experience and lessons learned by the GEF.”

7.1.2 Current Evidence

The GEF continues to review the cycle for its effectiveness and efficiency and to update its guidance concerning the project cycle. The latest update of the cycle appears in the GEF project cycle update (GEF/C.22/Inf.9) presented to the GEF Council at its meeting in November 2003. The OME is currently completing a study on the project cycle and the sources and factors affecting time lapse at all stages of the cycle. In its four-year work program for 2006 to 2009, the OME has proposed a joint evaluation of the GEF activities and modalities that will include review of the current project cycle, possibly addressing the extent to which underlying objectives, such as quality, timeliness, and accountability, are being met in its various phases; the division of labor among the various stakeholders involved in the GEF activities; and opportunities for greater integration between GEF approaches and the modalities and cycles of the agencies (GEF/ME/C.25/3 2005. “Four Year Work Program and Budget of the Office of Monitoring and Evaluation – FY06-09 and Results in FY05.” May 2005).

During the OPS3 consultations, four aspects of the project cycle were of particular interest and are discussed below:

- Pipeline
- Design phase
- Implementation phase
- Project modalities

Pipeline

All concepts for GEF projects have to be reviewed and entered into the GEF pipeline before further preparation and Council review for work program inclusion. Once a project is officially in the pipeline, the amount of funding that a project requests is subtracted from the pool of available resources for programming. Consequently, agencies have been eager to get projects in the pipeline in order to reserve future funding. As a result, significant time lags can occur between a project entering the pipeline and being submitted for work program inclusion. Indeed, the OPS3 team heard reports of projects staying in the pipeline for up to eight or nine years. Currently, because of time lags between pipeline entry and inclusion in work programs, many projects entering the pipeline in GEF-3 will not be included in work programs until GEF-4. In fact, the fiscal 2005/06 Business Plan (GEF/C.24/9/Rev.1) indicated that almost US\$300 million worth of concepts would fall into this category, not including those that might slip to GEF-4 as a result of difficulties in preparation or resource constraints.

To keep GEF partners abreast of developments in the pipeline, the GEFSEC publishes a weekly bulletin providing pipeline and work program schedules that is distributed to all IAs and EAs. This document also provides information on the program managers responsible for projects assigned to particular Strategic Priorities under each focal area, as well as the status of the processing of concepts and projects received by the Secretariat. Although these efforts are helpful, the GEFSEC has recognized that tighter management of the pipeline is needed.

In response to this concern, the GEFSEC is currently initiating a process to manage the pipeline more closely, including possibly requiring projects to indicate which work program they will be included in or having a maximum number of years that a project can remain in the pipeline. A proposed time horizon (perhaps three years as the standard) would be imposed for all projects in the pipeline. After that time, project concepts that have not moved on would be eliminated from the pipeline unless a strong argument based on the difficulty or complexity of the project start-up activities is provided. OPS3 fully supports these efforts by the GEFSEC, especially in the face of additional agencies (for example, EAs) vying to reserve funding during GEF-4. OPS3 urges, however, that whatever pipeline management strategy the GEFSEC decides to implement, the strategy should be transparent to all partners. This requires that the information systems supporting pipeline management are accessible and user friendly.

Design Phase

The design phase typically draws the most fire from stakeholders who feel that the phase takes too long, is impenetrable in terms of where projects are in the process, and requires too much specialized expertise to write a design document that meets all the GEF requirements. However, the design phase does have some positive aspects, including:

- Stakeholders are extensively consulted during the project design phase; the GEF acknowledges that there is value in these consultations, and funds are provided for it through the PDF. Stakeholders at all levels indicated to the OPS3 team that they are appreciative that the GEF provides such funding, and, with some exceptions, the additional time it takes to perform the consultations has a positive impact on project implementation and results and is necessary.
- Comments from the GEFSEC are helpful at concept level. However, some stakeholders feel that the Secretariat should focus on strategic, rather than technical, details at the work program inclusion level, and that once the project concept is approved, the GEF Council should delegate all other approvals to other GEF entities. This issue was also identified in OPS1 and OPS2.
- There is a clear appreciation among GEF partners of flaws or incompatibilities in the project cycle design phase, and efforts are being undertaken to conduct further study to create action steps that will improve the design of future projects.

On the negative side, OPS3 stakeholders identified the following concerns:

- Many stakeholders find that the average time for FSP approval is longer than necessary. There is an emerging understanding of the costs of excessive time lapse; examples cited by stakeholders include loss of constituencies (built, then lost), disempowerment of sponsoring agencies in-country, loss of cofinancing opportunities, and loss of private sector engagement opportunities.
- Complexity and lack of transparency of the project process is a major concern. Much of the negative feeling of the stakeholders seems to stem from the fact that once a project is submitted, there is no way to know where it is, what is happening to it, or when they will hear anything about its status. This is especially true of its country proponents.
- An unintended consequence of the GEF's attempts to improve the design of projects by providing more guidance on project development is the additive nature of that guidance. Project proponents must address, for instance, key GEF principles, OPs, Strategic Priorities, guidance such as cofinancing levels and processes, incremental costs, and future sustainability. This proliferation of guidance appears to be the source of some confusion among those involved in developing projects, at both the IA and country levels.
- The amount of complicated items to be addressed in project design leads to a situation in which many project proposals are developed by external consultants or specialists that understand the increasingly complex criteria involved with GEF proposal writing. However, these consultants may not be as familiar

with the subtleties of the country context. Moreover, the use of external consultants in the design phase causes a disconnect between design and implementation because the consultants are not involved in later project stages.

- By encouraging the use of adaptive management techniques, the GEF has acknowledged that the conditions under which a project is implemented change and that management must adapt. Policies and procedures such as the logical framework, incremental cost calculations, and cofinancing requirements do not reflect the variable and adaptive stage of implementation.

Implementation Phase

When projects begin implementation, the project managers recognize a universal truth: no matter how good the plan, the reality of the world will require that it be frequently reconsidered and adjusted. Therefore, the GEF encourages managers to use flexibility in implementing projects through the use of adaptive management techniques, the advantages of which the 2004 program studies cited as providing flexibility to implementers on the ground. BPS2004 commented that “[t]he World Bank’s risk management strategies (already in practice) and those of UNEP and UNDP that are under development provide important examples of the practice of adaptive management in action at the project level” (GEF/ME/C.24/Inf.1). CCPS2004 noted that “many [energy efficiency] projects are now successfully incorporating financing components, partial guarantees and loans, depending on the specific context and set of market barriers and adaptive management” (GEF/ME/C.24/Inf.2). In fact, “Monitoring and Evaluation Indicators for GEF International Waters Projects” (GEFM&E 2002b) stated that the International Waters focal area’s operational strategy “aims at assisting countries to jointly undertake a series of processes with progressive commitments to action and instilling a philosophy of adaptive management.” IWPS2004 observed a “move toward projects that combine strategic planning with demonstration projects to maintain stakeholder interest and articulate the adaptive management process” (GEF/ME/C.24/Inf.3).

On the negative side, adaptive management needs to be based on a good monitoring system that provides information upon which the manager can make informed decisions. Despite many requests, the OPS3 team could not find consistent evidence that such clear information exists. Therefore, it is unclear just how adaptive management is being used. Without the necessary information, project managers are often making adaptive decisions in the dark.

Furthermore, even with an information-enabled adaptive approach, mid-course corrections can still be difficult. IWPS2004 cautioned that long time gaps during implementation can lead to difficulties in applying an adaptive management approach. There is also a sense among IAs that the concept of adaptive management is not backed up in practice (that is, processes and rules at the GEF do not fully support the goal of allowing adaptive management to happen). For instance, a number of stakeholders mentioned that on their project, reprogramming of funds—say, from consultants to equipment—was difficult if not impossible to accomplish.

As IWPS2004 pointed out, good monitoring is key to effective implementation of adaptive management. Therefore, monitoring at the project level should be strengthened to serve as an input for mid-course correction. To date, stakeholders report that monitoring to help manage projects more effectively is done unevenly among IAs. There is a consensus that monitoring of projects needs to be more firmly placed at the IA and operational levels. Also, the necessary processes need to be in place in each IA to ensure that accurate and timely information regarding a project’s progress in meeting key goals (for example, on time, within budget, and on target to achieve objectives) can be made. These concepts need to be built into the management system—monitoring as a management practice (as opposed to an administrative requirement or something that the OME does). Please see section 6.2 for more information on monitoring and proposed roles and responsibilities.

Modalities

The GEF, as a continuously improving organization, has responded to the varying needs of its stakeholders by creating different project modalities to support the GEF's objectives. The GEF has approved expedited procedures for approval and disbursement for these modalities (for example, MSPs and the SGP) and is currently considering instituting another modality—mid-size projects between US\$100,000 and US\$500,000. Several standard beliefs about the modalities, shared at virtually every level of GEF stakeholders, emerged from the OPS3 team's discussions.

The SGP is well received by recipient countries and has the potential to increase the visibility of the GEF in the countries. The SGP remains one of the most appreciated programs, and many NGOs and other country representatives, especially in LDCs and SIDS, that are not currently recipients of the SGP expressed to the OPS3 team that they wanted to be (see section 5.3). The GEF has met its recent targets for increasing the number of countries that participate in the SGP. And, as explained in section 5.1.2, SGP projects may be the most easily replicable types of projects. However, as explained in section 4.4.2, stakeholders also point out that the scale of small grants projects is such that the global environmental benefits that accrue may be very small.

This is the opposite of FSP, which are designed to maximize the environmental benefits that result. On the downside, however, is the length of time it takes for FSPs to be designed and approved. FSPs consume GEF funds at higher rates, obviously, leaving less for the other modalities, and not all recipient countries can support an FSP in terms of need or country capacity.

Mid-size projects were designed to ameliorate some of the criticisms of FSPs by cutting back a bit on project scope (project size up to US\$1 million) and streamlining the approval process. However, the 2004 "GEF Annual Performance Report" (GEF/ME/C.25/1) states that "[t]he record for medium-sized projects is also well beyond what was originally expected for this type of project" and several GEF MSP stakeholders interviewed by the OPS3 team felt that MSPs were being subjected to almost the same degree of scrutiny as FSPs (GEF/ME/C.25/1).

Nevertheless, these modalities are a key element of the GEF's ability to respond to the diverse needs of its stakeholders, and the GEF has demonstrated a commitment to evaluating these modalities constantly for effectiveness and improvements. To this end, the OME has included a study on the modalities in its work plan for fiscal 2008 (GEF/ME/C.25/3).

7.1.3 Challenges and Strategic Tradeoffs

Risk Aversion versus Innovation

The tensions between the GEF's simultaneous commitment to both innovative approaches to environmental management (that is, higher risk) and achieving results in a cost-effective and successful way (that is, lower risk) is discussed in section 5.1.3. Consultations with both GEFSEC and OME staff indicated that this issue of emphasis across all GEF programs is a high-level strategic issue that has yet to be resolved.

Approval Culture versus Results Culture

OPS2 noted that the GEF should be heading more in the direction of a results-oriented culture than an approval culture. As pointed out in Sections II and III, a results culture is not fully in evidence at this time. Moves have been made to shift focus to results and better assess baselines and indicators for results, but OPS3 notes that the emphasis among key stakeholders, such as IAs and their recipient country counterparts, is on the approval element of the project cycle. Considerable time and resources are spent during the design and approval phase of the cycle, and it appears that available funding in various OPs is as much a driver of

project development as are country priorities or results. In addition, the generally additive nature of guidance over time has led to a substantial focus by IAs on following approval procedures.

Adaptive Management and Maintenance of the Accountability Chain

There is a dynamic tension between detailed project design in the logical framework and the need for project managers to have flexibility during project implementation to adjust project elements (staff, resources, goals, and so on) as required to meet changing circumstances. The GEF encourages managers to use flexibility in implementing projects through the use of adaptive management techniques. However, often there is only a limited record of any changes in a revised project plan, if indeed the revised plan exists at all. This leads to difficulties in tracking the achievement of project results, if an MIS existed that permitted such analysis. Furthermore, an adaptive management approach must not become a substitute for effective and in-depth project design.

7.1.4 Recommendations

To address the issues identified above, OPS3 recommends the following:

- *OME should ensure that the monitoring tools of the IAs and EAs allow them to effectively manage projects in an adaptive way. Also, the GEF's project guidance for the design phase should be rethought in the spirit of adaptive management.*

Adaptive management takes into account the realities of the complexities that arise during implementation from context, culture, and other changing environmental conditions. The GEF has encouraged these techniques during the implementation phase, but stakeholders reported to the OPS3 team that they still experience a lack of flexibility in shifting resources between funding groups (for instance, from consultants to equipment). However, effective use of adaptive management requires close monitoring of the conditions for and the effects of adaptive decisions on project structures, budgets, and timing. Therefore, the GEF must ensure that the monitoring tools of the IAs and EAs can effectively fulfill this function.

Additionally, the GEF's project guidance for the design phase needs to be rethought in the spirit of adaptive management. OPS3 recommends that the GEFSEC develop better guidelines, in consultation with the IAs, to back up the concept of adaptive management—there should be genuine flexibility and a recognition of the need to avoid delays in mid-course corrections. For example, the following aspects of project design could potentially be affected:

- *Logical framework*—recognizing that the specifics of project implementation will likely change from the design phase to implementation phase, it may not be useful for the logical framework (or log-frame) to be overly detailed. Instead, perhaps the log-frame could focus on techniques for adapting to changing conditions in the projects or in risk management activities.
- *Cofinancing*—many stakeholders reported that the requirement that projects have upfront commitment from cofinancers to be approved poses great difficulties to successfully attaining cofinancing. Government and private sector cofinancers are often reluctant to commit to cofinancing a project that has not yet been approved and will not be implemented for several years in the future. To that end, building more flexibility into cofinancing procedures could actually improve overall levels of cofinancing. The GEF should investigate what proportion of funding is actually leveraged during implementation; if projects are largely successful in leveraging resources, the GEF should consider relaxing front-end cofinancing requirements.
- *Incremental costs*—as OPS3 discussed in section 6.1, there is a widespread lack of clarity regarding how to determine levels of incremental costs. Although the GEFSEC and IAs were requested by OPS1 and OPS2 to clarify the concept and provide a framework example of how to calculate these costs, this has not been done. To date, stakeholders report that the computation of incremental costs is

done inconsistently. Streamlined guidance on incremental costs, as well as a standard algorithm for calculation, should be issued, and the GEF should consider what the impact of relaxing this requirement would be.

7.2 Lessons Learned and the Use of Knowledge Gained (TOR 5B)

Modern networks are absolutely dependent on information infrastructure. The goal of the network is to ensure that information is transparent—clear, easily accessible, on time, and accurate—for all partners, within the constraints of reasonable information security.

One of the 10 GEF Operational Principles requires that the GEF be transparent in all its dealings with its stakeholders and entities. The GEF abides by this policy in the area of information management—that is, whatever information that is collected is made publicly available on the GEF Web site, including Council documentation, M&E reports, and GEF operational policies and procedures. However, part of information transparency is identifying, collecting, and disseminating the right types of information to meet the needs of the network. In that regard, the GEF is significantly less successful. To that end, this section will address more broadly the issue of information transparency in two parts—lesson learning and KM, as well as MIS.

Lessons learned and feedback are addressed at three levels in the GEF partnership network, including the project level, which is the focus of the TOR question addressed in this section. Lessons can also be learned, however, at the level of systems and processes, such as the project cycle itself, and at the level of pushing forward the knowledge frontier of environmental practice.

7.2.1 Lessons Learned and Knowledge Management

Historical Context

The integration of lessons learned and feedback into project design and implementation is an issue that the GEF has grappled with since its inception. As mentioned in section 6.2, the 1993 “GEF-Commissioned Independent Evaluation of the Pilot Phase” (GEFM&E 1993) found that the GEF had “not been successful in establishing a mechanism for systematically learning from experience as a GEF-wide operation” and “no GEF-wide system had been set up to systematically gather and disseminate this information.”

Despite the recognition of a lack of a systematic mechanism to identify, capture, and disseminate lessons learned so early in the life of the GEF, however, OPS1 and OPS2 both identified the lessons learned issue as only partly addressed. OPS1 noted a tendency to limit information to a relatively narrow circle of government stakeholders, and not consult widely, and found that the recommendation of the pilot phase evaluation to establish a permanent mechanism for identifying and applying lessons learned had been only partially implemented. Four years later, OPS2 still found little evidence that GEF entities fully considered and used lessons learned documents or other publications that include lessons learned. OPS2 recommended that a strengthened information dissemination system and institutional partnerships with the IAs and operational focal points be established. Specifically, OPS2 suggested that the GEF strengthen, facilitate, and accelerate the process of sharing of lessons learned, especially among IAs. It was felt that specific efforts needed to be made to encourage more systematic use of the results and outputs of GEF-funded projects for the improvement of national environmental plans and strategies. To increase the scope of operational lessons learned, OPS2 also noted that more effective methods of sharing field experiences among in-country project officers and field staff were necessary.

The Participants in the Third Replenishment of the GEF Trust Fund concurred with OPS2 and made the following recommendations:

- The GEFSEC and IAs and EAs should establish a procedure to disseminate lessons learned and best practices emanating from the M&E activities.
- A formal feedback loop should be established between evaluation findings and management activities to ensure more systematic use of the results and outputs of GEF projects for the improvement of planning and subsequent activities.
- Because each of the IAs and EAs has its own system for drawing lessons from operational experiences, the GEFM&E should facilitate more intensive interagency sharing of experiences relevant to the GEF.

The Beijing Assembly reaffirmed the recommendations of OPS2 and the replenishment, stating that the GEF should establish procedures to disseminate lessons learned and best practices to ensure more systematic use of the results and outputs of GEF projects for the improvement of planning and subsequent activities.

Current Evidence

Certain efforts are currently being undertaken in the GEF partnership that attempt to capture lessons learned at the project, processes and systems, and environmental practice levels. At the project level, lessons learned are identified through semi-formal mechanisms, including annual PIRs and PPRs, TEs, as well as TERs performed by the OME. Additionally, as BPS2004 (GEF/ME/C.24/Inf.1) pointed out, “opportunities for institutional lesson learning and direct incorporation within the GEFSEC and the IAs” also exist in the Interagency Task Forces. OPS3 finds that the Executive Coordinators’ meeting is a mechanism for exchanging lessons learned. IW:LEARN has been a successful, albeit unique, mechanism in the International Waters focal area to undertake and encourage lessons learned (see text box). The UNDP also has a system that allows project proponents to post questions and receive answers from various participants across the globe.

In addition to these somewhat formal mechanisms, lessons learned at the project level are also identified in a sporadic and ad hoc manner. BPS2004 found that “ad hoc lesson learning takes place actively, at all times, at many levels of interaction (for example, within projects, among projects, between the GEFSEC and their IAs, and vice versa) and from the GEF to its larger constituency in the public sector, civil society, and the private sector.” Through field visits, the OPS3 team found that in-county stakeholder groups that seek to capture lessons learned are also formed on an ad hoc basis—for example, in China, related to renewable energy projects.

Further, the IAs have generated some knowledge publications. For instance, the fiscal 2005 Corporate Budget reports that the “UNDP is developing a series of ‘Advisory’ and ‘Good Practice’ notes for GEF corporate based on its ‘on-the-ground’ experience in projects” (GEF/C.23/9). The UNDP publication on solar PV projects in Africa is widely regarded as a good knowledge product (UNDP 2004). CCPS2004 also noted the generation of several learning products by the World Bank, including an “incisive analysis of its [energy efficiency] portfolio.” GEF projects also sometimes aim to gather lessons learned, such as the UNEP projects Development of Best Practices and Dissemination of Lessons Learned for Dealing with the Global Problem of Alien Species that

IW:LEARN

In 1999, IW:LEARN was launched to improve “global management of transboundary water systems by increasing capacity to replicate best practices and lessons learned in each of the GEF International Waters Operational Programs” (IWPS2004). Several different aspects of IW:LEARN were launched to achieve this goal, including formal distance learning courses, the development of a Web-based information system including all GEF international waters projects and the provision of new knowledge products and tools, a number of e-forums, and training to generate new networks and help projects achieve higher standards in information exchange. IW:LEARN is widely regarded as very successful by stakeholders at all levels, and IWPS2004 reported that a large number of international waters project managers had found the IW:LEARN Web site an important instrument for locating information on international waters projects.

The IW:LEARN project also funded the first two biennial GEF International Waters Conferences in Budapest in October 2000 and in Dalian in September 2002, which brought together most of the international waters project coordinators with task managers, key specialists, GEF focal point representatives, and relevant staff from IAs and EAs.

Threaten Biological Diversity and Development and Implementation of Mechanisms to Disseminate Lessons Learned and Best Practices in Integrated Transboundary Water Resources Management in Latin America and the Caribbean.

There is also evidence that the GEF has incorporated these lessons learned into project design and implementation in an ad hoc manner. BPS2004 noted that the GEF had or is incorporating findings and recommendations on issues such as “stakeholder participation [and] the improvement of linkages with other sectors of the economy.” IWPS2004 reported that the TDA-SAP process, properly managed and monitored, “enables the successes and inevitable mistakes made in project design and implementation to feed back into the process as lessons learned.” As further support for lesson learning being mainstreamed into GEF processes, the approaches used under enabling activities for POPs rely heavily on the experience gained in the Biodiversity and Climate Change focal areas.

At the processes and systems level, the GEF has shown itself to be effective in generating and incorporating lessons learned. The ongoing review and amendments of the project life cycle, such as streamlining MSP procedures, is one indication that lessons are being learned. Lessons learned are generated in fairly high volume—in addition to its annual PPR and TEs, the GEFM&E has completed more than five major evaluations since OPS2, including three program studies. In terms of incorporating lessons learned, Action Plans are developed to respond to the recommendations of the OPS evaluations, replenishments, and Assembly, and other evaluations, and progress on implementing the recommendations is periodically assessed. Moreover, the document “Elements for a New GEF Monitoring and Evaluation Policy” (GEF/ME/C.24/1), approved by the GEF Council at the November 2004 meeting, called for the development of management responses for all reports presented to the Council by the OME, including all GEF focal area program evaluations, and cross-cutting and thematic reviews. The Council is then expected to review the evaluation report and the management response and give guidance to the GEF on a plan of action with specific time frames. These decisions are to be recorded in the MAR, which will be kept by the OME. The GEFSEC is requested to report annually to the Council on the follow-up of the Council decisions included in the MAR.

There are also indicators that lessons have been learned at this broader level—for instance, the direction that the OME is taking with respect to harmonizing and standardizing M&E across the GEF network (see section 6.2), the formation of an Operation Coordination Team in the GEFSEC (see section 6.2), and the re-formation of the CDWs into the NDI (see section 6.1) are all signs that members of the GEF network identify lessons and integrate them into future activity at the processes and systems level.

The third level of generating and incorporating lessons learned is the level of advancing the knowledge frontiers of environmental practice, which, although not the overall goal of the GEF, is a positive externality of GEF activities and takes root in some of the GEF Strategic Priorities. The Strategic Priorities were in part developed to “identify gaps in the GEF portfolio and niches for *innovation* that need to be explored [emphasis added]” (GEF/C.21/9. 2003. “GEF Business Plan FY04-06.” April 2003.) For instance, accordingly, one of the Strategic Priorities in the Land Degradation focal area is “Implementation of Innovative and/or Indigenous on-the-Ground Investments.” Thus, clearly the GEF expects itself to make a contribution to global environmental practice through innovative approaches. See section 7.1.3 for a further discussion of the tension between innovation and cost effectiveness. At this level, some GEF projects have incorporated research components to find effective approaches to environmental problems that provide valuable information for making good environmental management decisions. For instance, the GEF project on large marine ecosystems has been regarded as developing important research data for integrated ecosystem approaches.

Although there are some informal subparts of a system for learning lessons as identified above, OPS3 was not able to identify any systematic, comprehensive, GEF-wide approach to ensuring that lessons learned are captured and disseminated properly throughout the network. Moreover, there seems to be broad consensus at

every level of the GEF partnership that lessons learned are not being identified, collected, and used in any cross-network, integrated way.

Recent evaluations have also highlighted the inadequacy of current processes for capturing lessons learned. BPS2004, for instance, concluded that “the majority of projects do not or have not included distinct components for the dissemination of lessons learned (both from achievements and shortcomings) or best practices developed during the life of the project at any level of implementation—local, national, regional, or global.” To that end, it was recommended that an “overall strategy and action plan for Knowledge Management in the GEF Biodiversity Program, including collecting, compiling, and analyzing information acquired at the project level for program-level consolidation and distribution to GEF partners and the global conservation and development community, [be established]” (GEF/ME/C.24/Inf.1). CCPS2004 noted that the Climate Change Program had “benefited from some very good knowledge sharing initiatives...*within* IAs, and at headquarters level within the Climate Change Task Force.... However, learning within the GEF family has been neither systematic nor system-wide, nor has it had strong outreach to outside expertise. This has diminished both efficiency and effectiveness of the GEF Climate Change Program” (GEF/ME/C.24/Inf.2). In particular, three challenges for better learning and knowledge sharing were identified in CCPS2004: (1) There is a need for better horizontal exchange, especially at the implementation stage, between projects within the same clusters, as well as within and between countries; (2) the centralized nature and long and indirect vertical communication chain of the GEF system creates communication problems for active learning; and (3) a risk for GEF issues “falling between the cracks” exists depending on the extent to which GEF climate change concerns are mainstreamed in the IAs. CCPS2004 recommended that “[t]he GEF Secretariat, together with the IAs and assisted by GEFM&E and STAP, should develop a strategic and pragmatic approach to capturing and sharing information and knowledge within the climate change area, both among projects and between headquarters and the field and supported by electronic knowledge systems.”

As the Pilot Phase Evaluation, OPS1, OPS2, Third Replenishment, Beijing Assembly, and BPS2004 and CCPS2004 have all pointed out, the lack of a formal mechanism for lesson learning at each level in the GEF partnership has serious ramifications for the GEF, especially at the project level. Given that there has not been an adequate systematic process for capturing lessons learned over time, there is a real risk that substantial lessons learned, and capacity and institutional knowledge among individuals, will be lost if it is not captured and recorded. Stakeholders indicated to the OPS3 team the strong feeling that the sharing of lessons learned could reduce duplicative activities and contribute to the overall quality of projects. BPS2004 noted that “[g]iven the weakness of the process for integrating lessons learned from more than a decade of experiences in project preparation and implementation, the Biodiversity Program runs the risk of perpetuating the status quo and precludes the GEF from being able to truly focus its resources in ways that might have the highest chance of significant impact.” CCPS2004 also commented that without “systematic learning, the GEF innovation and replication will be less effective.”

That said, since OPS2, there has been positive movement toward developing a KM system for the GEF to identify, capture, and disseminate lessons learned. Acknowledging that little progress had been made to develop KM systems on a GEF-wide basis, in its interim work plan for fiscal 2003/06 (GEF/C.21/13. 2003. “Monitoring and Evaluation Work Plan for FY03-08.” April 2003), the GEFM&E proposed to develop a KM strategy based on primary user needs and priorities and the latest technologies and approaches and to pilot this strategy in the Climate Change focal area. The GEFM&E also agreed to make a greater effort, in collaboration with the GEFSEC and IAs and EAs, to close the feedback loop by providing evaluation findings and recommendations in a timely and readily accessible form to the relevant decision makers.

In the “GEF Business Plan for FY05-07” (GEF/C.22/6), the GEFSEC, in collaboration with the IAs and EAs, the STAP, and the independent GEFM&E, proposed to begin developing a KM framework in the GEF, building on existing frameworks in the partner agencies. Drawing upon what the IAs, GEFSEC, and OME are already doing, the aim would be to develop the framework and initial set of products for KM within the GEF, taking into account the Council and GEF operational mandates, and pilot the framework in

two focal areas (Climate Change and Biodiversity). The concept of KM was defined in the Business Plan as the process of creating and internalizing what is learned and turning it into behavioral or organizational change and improved performance.

In May 2004, the Council acknowledged KM as a corporate GEF task to be led by the GEFSEC with the support of the IAs by approving the “GEF Corporate Budget FY05” (GEF/C.23/9), which included US\$0.49 million for KM in the GEFSEC’s budget. This specialist position, however, has not yet been filled. This is in part a result of the fact that there seems to be a general acknowledgment by most GEF partners that KM is needed, but questions remain about where this function should be housed and how it will be operationalized. In this context, the GEFM&E proposed to concentrate initially on developing better procedures, tools, and methods to disseminate lessons and knowledge gained from evaluations. Other key initial areas to be explored further were also identified, including knowledge user needs, effective channels and mechanisms for dissemination, two-way communication, and networking.

Regarding its mandate in its TOR to “develop a knowledge management strategy based on user needs and priorities and the latest technologies and approaches, subject to budget resource availability,” the OME pointed out in its 2004 “Elements for a New GEF Monitoring and Evaluation Policy” (GEF/ME/C.24/1) that it is on the supply side of knowledge, and any KM strategy from the supply side will fail if there is no structure or strategy on the demand side. Thus, the OME proposed to seek full interaction with the relevant other actors in KM to further explore how its products should be made available inside and outside the GEF family. OPS3 also acknowledges this issue of KM and demand. This places additional pressure on the OME to not only supply the relevant knowledge, but also to shape the demand of the partners. The GEF must highlight the importance of sharing knowledge and lessons learned among GEF partners to improve project design, implementation, and general operations.

In brief, despite the current inadequacy of KM in the GEF, there appears to be positive discussion in the GEF on the topic of how to enhance KM within the GEF, as well as some agreement that pragmatic approaches that leverage existing GEF entity resources may be the most effective route for improvement of KM.

7.2.2 Management and Information Systems (MIS)

Historical Context

The establishment of the PMIS was first discussed in the “FY01-FY03 Corporate Business Plan” (GEF/C.14/9) in November 1999. It was felt that the GEF’s “unique structure and the diverse, open, and transparent partnerships” required new management techniques, including modern information technologies. The GEF IA Executive Coordinators, at their March 2000 meeting, further agreed that the “GEF and its partners should expeditiously develop an electronic information and portfolio system whereby all stakeholders can view the status of a proposal or a project from the proposed concept to implementation” (GEF/C.15/5. “Corporate Budget FY01.” April 2000.)

At its May 2000 meeting, the GEF Council approved US\$250,000 for a special initiative to design, develop, and implement an integrated GEF PMIS. In the fiscal 2001 Corporate Budget, the PMIS was described as “critical to the success of GEF’s mission, including its efforts to develop and strengthen partnerships and collaboration with multiple organizations and to making readily available the essential information and data on its operational experiences and its project portfolio to its member countries, clients and external partners” (GEF/C.15/5. “Corporate Budget FY01.” April 2000.) To enable and facilitate the access, dissemination, and exchange of data, information, documents, and reports to and by all involved and interested parties, the GEFSEC, in collaboration with the IAs, proposed to create a robust and user-friendly integrated PMIS. The system was intended to build on and draw from the existing information systems and databases maintained by the GEF units. Before the PMIS, the GEFSEC relied on a number of stand-alone databases that were

independently created and maintained by GEFSEC teams in various formats (MSWord®, MSeExcel®, MSAccess®). The PMIS was proposed to provide the GEFSEC with a single, comprehensive, centralized database system.

Using MSAccess® as the database software, the PMIS was intended to provide a mechanism for efficient data input and transfers, a standard format for data update and exchange with IAs, and preparing regular standard reports by the GEFSEC for both internal and external purposes. In a progress report presented at the May 2001 Council meeting, the GEFSEC reported that the PMIS was already realizing the following benefits:

- Providing complete, accurate, updated, and reliable data pertaining to all GEF projects from pipeline entry until completion and evaluation;
- Maintaining all GEF project data in one efficient centrally maintained, readily accessible, and consolidated database;
- Facilitating user-friendly data analysis and customized report preparation, including the preparation of the half-yearly ORGP; and
- Making available to the public, through the PTMS (Project Tracking and Mapping System), six-monthly updated GEF project-related information (GEF/C.17/Inf.12).

The PMIS was successfully tested in March 2001 and operationally deployed in mid-April 2001. Data from the separately maintained databases in the GEFSEC were consolidated into a centrally maintained MSAccess® database. A direct link was also established between the PMIS and the PTMS, which is maintained on the GEF Web site.

However, OPS2 noted limitations in terms of available data and specifically commented that “the database for reporting on co-financing in the GEF is surprisingly weak.” OPS2 also found that “more and better focused information services need to be provided by GEF to empower the operational focal point system in each country to execute their tasks more effectively ... [including providing] them with improved access to available GEF project information from the global databases” (GEFM&E 2002d).

Current Evidence

At present in the GEF, no MIS captures information systematically and makes that information available to GEF partners regularly. General information management at the GEF has been lacking since its inception and makes accurate monitoring of GEF activities at the portfolio level very difficult. To that end, stakeholders at all levels of the GEF partnership commented that the PMIS maintained by the GEFSEC is inadequate to meet the management and monitoring needs of the GEF. Indeed, many high-level GEF staff felt that the PMIS could not even be considered an MIS in its current form. Moreover, the data contained in the PMIS are also not considered entirely reliable by GEFSEC and M&E staff, and the OPS3 team was frequently cautioned regarding the limitations of the data. For example, the project database only includes information on the amount of approved project funding and the amount of cofinancing agreed upon at project approval. Although the amount of cofinancing actually received by conclusion of the project has recently been added as a category in the TEs, this value is not monitored systematically or recorded in a central place to allow for portfolio-wide analysis. Given that one of the GEF’s Operational Principles is to “emphasize its catalytic role and leverage additional financing from other sources,” OPS3 finds it unacceptable that the GEF does not methodically monitor the level of cofinancing and leveraged resources it actually catalyzes.

There is lack of information transparency throughout the network. For instance, despite the recommendation of OPS2, very little information is available to recipient country stakeholders regarding where their projects

are in the project cycle. Indeed, CCPS2004 commented that the shift from an approval culture to a results and quality orientation, recommended by OPS2, would “remain elusive as long as it is so difficult for any stakeholder to gain a full overview of what is going on in the portfolio at any given time. The portfolio information, project data, and documentation management are, in part, incomplete, dated, or restricted, and hamper dynamic portfolio management and effective monitoring” (GEF/ME/C.24/Inf.2). Moreover, CCPS2004 found that “the GEF database is not an analytical tool accessible to parties outside the GEFSEC, updating is irregular, it has limitations in data on results, and data inconsistencies between GEF and IA databases are frequent. This function is seriously under-resourced in the GEFSEC.”

Like the KM function, the absence of a well-managed and comprehensive MIS in the GEF has critical implications for the GEF network. As OPS2 pointed out, and as many stakeholders have since commented to the OPS3 team, the lack of transparency threatens the GEF’s partnership with recipient countries by not empowering them to stay actively involved by tracking their projects through the project cycle. A lack of system integration at the level of the Trustee creates extra work and ample room for error because requests for disbursement are currently faxed from IAs to the Trustee, rather than communicated electronically between the information software programs of the different entities. The current inability of the GEF to monitor its portfolio at a macro level inhibits strategic vision. Indeed, the OPS3 team has struggled to provide an analysis of results in the focal areas and of the GEF portfolio as a consequence of the inadequate MIS in the GEF. As expressed in the recommendation below, the establishment of a comprehensive, reliable, and harmonized MIS is crucial to enabling OPS4 to confidently report on the results of the GEF and the GEF’s progress in meeting its Operational Principles, such as leveraging resources.

7.2.3 Recommendations

- *The GEFSEC should develop an overall information management function for the GEF that encompasses both KM and MIS functions; this information management function should build upon existing systems in the GEF entities and be based on a comprehensive information management strategy to be developed by the GEFSEC.*

To address the current inadequacy of both the KM and MIS functions in the GEF, OPS3 recommends that the GEF establish a formal function for information management in the GEFSEC (please see the recommendation in TOR 4A and section 6.4 on formalizing the GEFSEC’s function as a network administrative office). This function would be responsible for KM and MIS with the bottom-line goal of transparency of information at all levels of the GEF partnership network. The GEF should give this function appropriate time and resources, make it pragmatic by building on existing KM and MIS systems in the GEF entities (for example, UNEP.net, the UNDP GEF portal, the World Bank KM system), and, in pushing forward KM and lessons learned, make sure that adequate time is given to both the capture and, even more important, the dissemination and delivery of that information to its appropriate targets.

As a first step in the improvement process, the GEFSEC should mount a focused effort with the IAs to update data that already exist in the current systems so that the latest and most accurate data are available. The KM and MIS systems should build upon and meld the existing, but currently incompatible, information systems of the GEF entities into a useful GEF-wide resource. At the same time, the GEFSEC should begin the development of an information management strategy¹⁶ that will guide the long-term improvement and overall quality of the KM and MIS systems and their supporting business processes. The strategy should broadly address all aspects of information management and KM and contain at least the following points:

- Trends and challenges affecting the GEF in the areas of information management and knowledge sharing, including the issue of the capacity challenges of communicating to a global membership
- Assessment of the strengths and weaknesses of the current information management implementation, including systems currently implemented at the IAs and EAs that might provide functionality in revised GEF MIS and knowledge-sharing systems

- Plans for significantly improving the GEF MIS and knowledge-sharing systems
- Technical description and principles for a GEF-wide technical architecture that would support the goals and objectives of the MIS and knowledge-sharing systems¹⁷
- Any organizational processes, staff structure, and GEF culture changes needed to effectively implement MIS and KM; including quality assurance and content management procedures to ensure that information is accurate, applicable, and current
- Performance measures and milestones to assess the progress of the information management function

The execution of the information management strategy should lead to the implementation of:

- An institution-wide MIS that makes available information on the status of projects at every stage from pipeline entry to completion—this MIS should be accessible by all project proponents, including operational focal points, so that they are able to track their (and other) projects through the various stages of the project cycle, thereby improving country ownership. This project-level information would also be aggregated and analyzed to aid the process of collecting and measuring results, determining cost effectiveness, and comparing and evaluating project results. The data in the MIS should also reflect actual situations in the GEF rather than expected outcomes (for example, cofinancing at the conclusion of projects in addition to at approval).
- A knowledge-sharing infrastructure designed to support the capture and dissemination of lessons learned and the exchange of information and knowledge at all levels and for specific communities of practice and interest within the GEF network.

Notes, Section IV

1. In this section, the specific GEF entities are referred to by GEFSEC (GEF Secretariat), OME (Office of Monitoring and Evaluation), and so on. When the term GEF is used alone, it means the larger organization that is discussed as the “GEF network.”
2. O’Toole’s (1997) definition of networks—“structures of interdependence involving multiple hierarchical arrangement”—is used here. Additionally, Rank and Wald (2000) define a network as consisting “of a well-defined, persistent, and structured set of semi-autonomous corporate actors engaged in numerous mutual exchange relationships in order to jointly reach the common network objectives.”
3. OPS3 acknowledges, along with O’Toole, that the notion of a network “includes a very wide range of structures in between [formal hierarchies and perfect markets]” (1997). These forms may include coalitions, alliances, partnerships, and so on. Unfortunately, it does not appear from the literature that a well-accepted topology of these subtypes exists. Therefore, OPS3 treats the GEF as a network in the general sense outlined by O’Toole. Indeed, it is at this general level that most of the literature and research seems to be addressed.
4. Although the Network Administrative Office has responsibility for the administration and coordination of the whole network, as the GEFSEC does, the other entities in the network may have administrative responsibilities for specific parts of the network and the networks activity. For instance, the IAs must provide any administration connected to the management and delivery of the projects that they undertake.
5. Focal areas may choose to allocate indicative envelopes to Strategic Priorities over a replenishment period as an operational approach to programming.

6. Partners in GEF-2 included the GEF Assembly, Council, and Secretariat, three IAs, the Trustee; the STAP, UNFCCC, and CBD; and the Montreal Protocol. Additional partners in GEF-3 included an independent OME, seven EAs, UNCCD, and the Stockholm Convention. Coordination with the countries, NGOs, and the private sector was not figured into this analysis but clearly would increase the coordination challenge by an order of magnitude.
7. The number of communication channels in a network is calculated as $(N^2 - N)/2$, where N is the number of network partners. Not all channels are active, of course, but each does represent a potential information flow that can be used for coordination among the entities.
8. This includes the May 2003 analysis of the support provided to national focal points and Council members (GEF/C.21/Inf.12), the March 2004 evaluation of the GEF Council Member and Focal Point Support Program (GEF/C.23/Inf.12), and the May 2004 “Elements for Strengthening National Focal Points and Enhancing Constituency Coordination in GEF Recipient Countries” (GEF/C.23/12).
9. The Operational Principle stated, “GEF projects will provide for consultation with, and participation as appropriate of, the beneficiaries and affected groups of people.”
10. Morgan (1986) identifies this characteristic as “requisite variety,” a term he borrows from the field of cybernetics.
11. OPS1 noted that a greater number of IAs could result in a greater number of project proposals and some short-term sacrifice of commitment to operational principles and reduced incentives for existing IAs to work on GEF projects. Similarly, OPS2 cautioned that the capacity of the GEF would be tested by the increased number of focal areas, an increasing demand for its resources, and the expanded opportunities extended to EAs.
12. For example, in fiscal 2000, the UNEP launched the Global Environmental Outreach component to mobilize the scientific and technical communities on GEF issues through electronic forums and workshops for certain programmatic issues.
13. The strategy was begun but had to be put on hold after the loss of the staff member assigned to the task.
14. Partners in GEF-2 included the GEF Assembly, Council, and Secretariat, three IAs, the Trustee; the STAP, UNFCCC, and CBD; and the Montreal Protocol. Additional partners in GEF-3 included an independent OME, seven EAs, UNCCD, and the Stockholm Convention.
15. The GEF-2 period only includes years 2000 through 2002 because the IA fee system changed in 1999, and starting in 2000, IAs received a separate corporate budget.
16. The GEFSEC is currently undertaking a requirements analysis for MIS. The OPS3 team believes this study is necessary but not sufficient to build a full-dimensional information management function. The information management plan described here will provide a more comprehensive framework for information management within which the MIS requirements analysis will fit. The OPS3 team sees no problem with developing these activities separately, as long as the MIS requirements analysis is developed with the awareness that this larger context is necessary and is under consideration.
17. The technical architecture will have to be developed based on World Bank support, and it will take into account connectivity with architecture that already exists within the partners.

SECTION V: MAIN FINDINGS AND RECOMMENDATIONS

8. Main Findings

OPS3 has identified findings in five main areas: (1) results in each of the focal areas, (2) strategic programming for results at the focal area level, (3) strategic programming for results at the country level, (4) responsiveness to conventions, (4) information management and knowledge sharing, (5) network responsibilities and coordination, and (6) the Small Grants Programme.

8.1 Focal Area Results

The GEF has achieved significant results, particularly at the outcome level, in the focal areas of Biodiversity, Climate Change, International Waters, and Ozone Depletion, and is well placed to deliver important results in the newer focal areas of Land Degradation and Persistent Organic Pollutants (POPs).

The OPS3 team believes that the GEF Biodiversity Program, as probably the world's largest government-funded mechanism for biodiversity conservation in developing countries, has had a notable impact on slowing or reducing the loss of biodiversity. Unfortunately, global trends in biodiversity loss continue to be downward. The GEF has produced significant outcomes in biodiversity conservation through protected areas. Indeed, the GEF has been credited by many with helping to achieve the global goal of 10 percent of the world's land area under protection. By the end of fiscal 2004, the GEF had supported protected area investments that constitute almost 17 percent of the total land area protected globally (International Union for the Conservation of Nature [IUCN] 2003). The GEF has also contributed to improving the enabling environments in which biodiversity conservation and sustainable use occur. The GEF has far exceeded the mid-term targets set in the Third Replenishment Agreement for the Biodiversity focal area (GEF/R.3/38.2000). However, outcomes related to access and benefit sharing arising from the use of genetic resources, the third objective of the Convention on Biological Diversity, have been less robust (though less guidance has been issued to the GEF on this issue).

In the Climate Change focal area, although the GEF's role is relatively minor in slowing worldwide climate change, the GEF portfolio has satisfactorily performed (given its limited resources), exceeding its interim greenhouse gas emission reduction targets set by the Third Replenishment Agreement in an increasingly cost-effective manner. Additionally, the GEF has played an important catalytic role in developing and transforming the markets for energy and mobility in developing countries, particularly through its energy efficiency portfolio. Market transformation results in the renewable energy cluster have been more varied, although some good results have been identified.

The GEF's International Waters Program has achieved some stress reduction impacts, particularly in the Black Sea–Danube and Lake Victoria. Because only a few IW projects have entered a Strategic Action Programme implementation phase, however, it is too early to report on impacts in terms of environmental improvement. In general, the outcomes of the IW Program have been robust and are expected to result in stress reduction and environmental improvement impacts over time. The IW Program has exceeded its mid-term performance target set by the Third Replenishment Agreement. The program has supported the negotiation and implementation of a number of global and regional conventions; has been an effective agent for policy, legal, and institutional reforms; and has served as an example of the benefits of systematic identification and incorporation of lessons learned through the International Waters Learning Exchange and Resource Network. Better cooperation at the regional level, more coherence in strategic partnerships, and stronger on-the-ground management and supervision are needed, however, to improve results.

In the Ozone Depletion focal area, the GEF has essentially achieved its main objective—to eliminate the consumption (that is, production, exports, and imports) and emissions of ozone-depleting substances in countries with economies in transition, with more than 99 percent of the agreed phaseout having been accomplished. Moving forward, the GEF Secretariat should coordinate with the Multilateral Fund of the Montreal Protocol Secretariat regarding the status of hydrochlorofluorocarbon and methyl bromide phaseouts.

In the Land Degradation and POPs focal areas, the OPS3 team finds that there are signs of health; in particular, these focal area programs seem poised to learn from the experiences of the other, more mature focal areas, although it is premature to assess the likelihood of results generation. In the POPs focal area, there has been significant progress in implementing convention guidance through the funding of national implementation plans in more than 100 countries, and it is likely that the relatively straightforward approach to chemicals management will allow for a clear results chain, particularly if the proper steps are taken up front to identify human health and environmental baselines.

8.2 Strategic Programming for Results—Focal Area Level

OPS2 recommended that the GEF shift from an approvals focus to a results-and-quality orientation. In general, the OPS3 team has observed good steps in this direction, and significant results have been achieved, but much remains to be done to focus on and manage results. In particular, clarifying and improving the coherence of strategic direction in each of the focal areas is an important step toward more effective programming for results at the focal area level, as well as toward developing and tracking meaningful indicators for results.

8.2.1 Improving Coherence of Strategic Guidance

Strategic guidance in the GEF has been mixed—abundant in some areas but notably absent from others. For example, in 2003, additional strategic direction was issued in the form of Strategic Priorities for each focal area as part of a general Strategic Business Planning Framework. Although these Strategic Priorities have been helpful for some focal areas, they constitute additive strategic guidance and an additional review screen during project approval. Indeed, the Strategic Priorities have resulted in a broadening, rather than a refining, of the overall strategic focus of the focal area programs. In addition to direction issued by the GEF, guidance from some conventions, in particular the CBD, has proliferated without any prioritization. Thus, to some extent, rather than better aligning the goals of the GEF, this proliferation of guidance appears to have defined a sufficiently vast area that GEF entities may find whatever direction they seek in it. In other areas, such as for calculating incremental costs, guidance has not been sufficient (for instance, in the POPs focal area), and stakeholders find the issued guidance difficult to understand and implement. As a result, in many cases, only specialized consultants brought in specifically to develop the project design documents are able to perform the arcane calculations. This simultaneous proliferation and lack of guidance has, in part, resulted in focal area programs that do not have strategic focus and coherence. This lack of strategic focus and coherence in the more established focal areas, including Biodiversity, Climate Change, and International Waters, is discussed in more detail below.

Biodiversity

The development of the GEF-3 (FY2004–06) Strategic Priorities (and those proposed for GEF-4 [FY2007–10]) has brought increased strategic direction to the GEF Biodiversity Program, and the development of impact and coverage indicators and targets, as well as the tools to measure them, should improve management of the portfolio. Nevertheless, the OPS3 team agrees with the Biodiversity Program Study 2004 that the Biodiversity Program still needs to refine, clarify, and strengthen the overall strategy and vision of the program. Furthermore, OPS3 finds that the development of Strategic Priorities has led to additive guidance

and has broadened, not streamlined, the overall strategic focus of the GEF Biodiversity Program. Consequently, not only is the interplay between Operational Programs (OPs) and Strategic Priorities not sufficiently clear at the operational- to country-level participants, but projects that address a wide range of biodiversity outcomes can be funded through the GEF, making aggregation of results difficult.

Climate Change

The OPS2 recommendation for the Climate Change Program—that the GEF would benefit from a more focused program in climate change—does not appear to have been fully achieved during GEF-3. The Climate Change Program Study 2004 found that “the linkages between GEF’s overall mission or goals, its strategic priorities, OPs, project clusters, and performance measurement indicators are no longer conceptually clear, nor are they entirely consistent.” OPS3 also found a lack of clarity regarding the links between GEF strategic directions reported at several stakeholder levels, including Implementing Agencies. However, recent progress on the part of the GEFSEC in response to issues raised in the CCPS2004 has shown that dialogue is leading to action. Additionally, the strategic objectives proposed for GEF-4 have been reformulated using the model for market development presented by the CCPS2004, and they have been fit into the established OP framework, providing more clarity. OPS3 finds, however, that the Climate Change Program would benefit from a clarification of its role with respect to carbon finance initiatives, and by providing more distinct guidance on the role of adaptation in its portfolio.

International Waters

The strategic programming challenges for the IW focal area differs from those faced by Biodiversity and Climate Change. The GEF International Waters Program has achieved significant success at the foundational or capacity-building level. To date, the IW focal area has primarily been a mechanism for catalyzing action by gathering information, conducting analyses of transboundary concerns, building capacity to work jointly, identifying needed reforms and investments in action programs, and leveraging funds to implement the programs. The new challenge for the GEF International Waters Program, which the IW Strategic Priorities have identified, is to push beyond the shorter-term goals of OPs 8 and 9 (water body-based and integrated land and water multiple focal area OPs, respectively), to longer-term financial mobilization and realization of demonstration projects necessary under OP10 (contaminant-based OP).

8.2.2 Tracking Indicators

Finally, an important part of clarifying the strategic direction in the focal areas is developing meaningful and user-friendly indicators for results at the output, outcome, and impact levels that can be aggregated to report on the results of the focal area programs overall. Critical questions concerning what to measure, how to measure, and how to scale up project results to the program level are still not resolved. The recent development of targets and indicators in the focal area strategic objectives for GEF-4, as well as the tools to measure them, will likely improve the management of the focal area portfolios, but the existing indicators do not allow for easy aggregation of benefits at the program level, particularly in Biodiversity. This reality presents a serious challenge to the evaluator intent on amassing the results of the GEF. The Ozone Depletion focal area—a model for results in the GEF system—stands as a success primarily because of the systems for agreeing on and measuring results that were established under the Montreal Protocol and recorded by the Ozone Secretariat. Developing appropriate monitoring and evaluation tools in all focal areas is an urgent and important task.

8.3 Strategic Programming for Results—Country Level

In addition to strategic coherence within focal area programs, which can be thought of as the vertical portfolio strategy, the GEF also needs strategic coherence at the national, or horizontal, level. These two

dimensions of strategic direction interact with each other and form a natural feedback loop, such that, ideally, national priorities are developed with an eye to GEF strategy in each focal area, and GEF strategies are developed taking into consideration the activities recipient countries really need and want.

In fact, GEF projects are often developed in a more ad hoc and sometimes opportunistic manner, rather than systematically to contribute to an overall country strategy. Consequently, because coherent portfolios are not always developed for countries, results may not always be maximized or achieved in the most cost-effective manner. For example, as the CCPS2004 pointed out, although projects can be in line with national priorities, the current system for project development and approval has led to inconsistent focus within some countries, such as India and Mexico, where the GEF is not addressing the major climate change needs of the country. The OPS3 team also heard reports from GEFSEC and GEF Office of Monitoring and Evaluation (OME) representatives, country focal points, and nongovernmental organizations (NGOs) of somewhat duplicative projects in some countries—an issue that could be resolved through managed country portfolios. By contrast, success has generally been achieved in China, where the World Bank and the United Nations Development Programme (UNDP) collaborated early to develop the overall climate change portfolio. The CCPS2004 set forth, and OPS3 agrees, that countries with significant GEF portfolios would benefit from a simple, but integrated, country program, and that countries with smaller portfolios may not need a full-blown program but would benefit from explicitly articulated priorities. In addition to promoting country ownership and country drivenness, country programs could also optimize GEF resources by enabling better synergies and multiple benefits through programming of a strategic portfolio for each country, rather than approving projects in a more piecemeal manner.

In short, OPS3 finds that the type of programmatic approach needed is one that (1) targets cross-focal area synergies, (2) prioritizes country projects, (3) explicitly considers global environmental benefits, and (4) sharpens the focus on sustainability and catalytic effects.

Looking for synergies across focal areas, such as benefits and capacity sharing, is essential for maximizing results and leads to increased cost effectiveness—and it can be facilitated within existing structures through a country program approach. Recognizing this, the GEF-4 Programming Document proposed that “the GEF move towards more integrated approaches to the national resource management challenges that span the global environmental agreements. Pursuing integration across focal areas, at the various levels—basin, landscape, ecosystem, country, and region—will allow the GEF to fulfill its role as catalyst and facilitator of global environmental sustainability” (GEF/R.4/7 2005).

Stakeholders at all levels consulted during OPS3 suggested that a more country-oriented programmatic approach to funds disbursement would improve strategic alignment. Activities such as the National Capacity Self-Assessment and the National Consultative Dialogue Initiative help countries identify and develop national environmental priorities, but these priorities, GEF priorities, and the projects actually developed for countries are not always aligned. How national priorities are linked to the projects submitted by many countries is sometimes unclear and may be partially based on opportunistic access to available funds (instead of national priorities). Indeed, in the event that a Resource Allocation Framework (RAF)¹ is approved, the GEF will likely have to allocate resources among countries in a systematic manner. In this context, developing and managing national strategic portfolios for results would maximize results with the resources allocated to each country. Under any RAF approach, however, it will be necessary not only to program at the country level, but also to prioritize projects for the country at the portfolio level. A process for choosing among projects based on certain characteristics (for example, innovativeness, replicability, cost effectiveness)—which may vary significantly depending on the country, focal area, or project size—has, to date, not been explicitly included in the RAF. In particular, although the proposed RAF indicators look at governance and environmental performance at the country level, there is no discrimination between projects. Clearly, however, there are factors that affect performance and attractiveness at the project level. For example, protected area projects in the Biodiversity focal area are common and can be developed based on a history of approvals for similar projects. In fact, it may be easier to move such a project through the pipeline

than to create a more innovative, but potentially riskier, project that may in the long run generate greater benefits. These trade-offs should be considered and reflected in criteria for choosing among projects.

Although the IAs have their own systems for programming activities in countries (for example, the World Bank has its Country Assistance Program, and UNDP has its Country Programme Action Plan and also identifies regional priorities in business plans), these programs do not necessarily explicitly consider global benefits in the manner that the GEF does. OPS3 finds that recipient countries would benefit from joint, coordinated GEF country programs that bring many actors (and the outcomes of other initiatives) to the table in a collaborative, egalitarian exercise.

Finally, recipient countries would also benefit from a sharper focus on sustainability and catalytic effects among GEF entities. The multidimensional and dynamic nature of sustainability is not systematically addressed in GEF projects, as is apparent in project documentation prepared during the design, implementation, and evaluation phases. Likewise, the mechanisms for sharing information and systematically promoting the replication of successful innovations, demonstrations, and approaches are conducted on a relatively ad hoc basis within the GEF network. Moreover, no systematic reporting on indicators for catalytic effects is in place across all GEF focal areas, although a tracking tool for measuring mainstreaming in the Biodiversity focal area has recently been established. A tighter framework for conceptualizing, measuring, and tracking the sustainability and catalytic effects of GEF projects would allow the GEF to better understand the extent of its success and areas of weakness at the portfolio and country levels. This in turn could help prioritize resource allocations within an RAF (if approved), as well as within countries themselves.

8.4 Responsiveness to Conventions

In general, OPS3 finds that the GEF has been responsive to guidance from the CBD, the United Nations Framework Convention on Climate Change, the Montreal Protocol, the United Nations Convention to Combat Desertification, and the Stockholm Convention.

- *Biodiversity and CBD.* In the Biodiversity focal area, OPS3 finds, as did OPS2, the Second CBD Review of the GEF, and BPS2004, that the GEF has been generally responsive to Conference of the Parties (COP) guidance. The GEF has funded activities in almost all of the areas of guidance provided by the COP. In particular, as BPS2004 points out, the GEF has been particularly responsive to guidance on forest ecosystems and capacity building in biosafety. The GEF faces some challenges, however, in addressing COP guidance. In particular, OPS3 finds that the GEF has not adequately addressed the convention priority on Access and Benefit Sharing (ABS), although this is partly due to the current lack of clarity on ABS in the context of the CBD.
- *Climate Change and UNFCCC.* OPS3 also finds, as did OPS2, the 2002 COP8 review of the GEF, and CCPS2004, that the GEF has effectively performed its role as financial mechanism of the UNFCCC and has been responsive to its mandate as defined by the Convention and guidance and priorities as given by the COP. GEF funding of projects has been in direct response to the priorities outlined by the COP. Moreover, communication and coordination between the UNFCCC and the GEFSEC has improved over the past few years. The GEF has been particularly responsive in quickly mobilizing and implementing special trust funds, as requested by the COP. The GEF has been responsive in supporting countries' first rounds of national communications, and the second round provides an opportunity to identify country priorities. With respect to the adaptation priority of the Convention, the GEF has begun to respond by approving an adaptation Strategic Priority for GEF-3 and proposing one for GEF-4, although the GEF still has much to sort out in terms of its funding of adaptation activities.
- *Ozone Depletion and the Montreal Protocol.* In the Ozone Depletion focal area, the GEF has essentially achieved its role in the main objective of the Montreal Protocol—to eliminate the consumption and

emissions of ODS—and has been responsive to strategic guidance from the Meeting of the Parties to the Montreal Protocol (MOP).

- *Land Degradation and UNCCD.* The GEF has generally addressed the UNCCD global priorities with two exceptions: (1) The UNCCD set a priority for combating desertification in Africa, whereas the GEF Land Degradation focal area strives for geographic balance; (2) the UNCCD focuses on combating desertification, whereas GEF projects tackle all causes of land degradation, including those that occur in humid areas.
- *POPs and the Stockholm Convention.* In POPs, all global priorities mentioned in the Stockholm Convention are addressed in the GEF strategy, with the exception of the potential need to identify and regulate the production of new chemicals with POPs characteristics. There are also differences in the emphases placed on priorities in the Convention versus those articulated in Persistent Organic Pollutants (OP14) and the POPs Business Plan: the GEF places greater emphasis on capacity building and institutional strengthening, the need for innovative and cost-effective technologies for the disposal of POPs, and the aim of promoting synergies by integrating POPs management practices with other focal areas.

Mechanisms for communication between the GEFSEC and the Convention Secretariats exist, and dialogue takes place regularly, but it is not always easy to engage on certain issues. For instance, although guidance from the COPs is not always sufficiently prioritized, the Convention Secretariats are hesitant to interpret guidance issued from the Convention COPs. Through consultations with GEFSEC representatives, the OPS3 team has also learned that there is some awkwardness regarding what has been construed as “guidance back to the conventions.” There are often circumstances, however, wherein the GEF entities, through implementation experience, have relevant perspectives on what is working, what could be improved or clarified, and what might benefit from a fresh approach. Indeed, more frank and timely exchange of ideas between the GEFSEC and the conventions could be helpful in furthering the agenda and success of the conventions within the context of the GEF.

8.5 Information Management within the GEF Network

GEF systems for information management, which encompass knowledge management (KM), management information systems (MIS), and infrastructure are inadequate. Although OPS3 identified some components of a system for learning lessons, such as IW:LEARN and UNDP knowledge management services, OPS3 was not able to identify any systematic, comprehensive, GEF-wide approach to ensuring that lessons learned are captured and disseminated properly throughout the network. This conclusion was supported by a broad consensus at every level of the GEF partnership. Recent focal area program studies also highlighted the inadequacy of current processes for capturing lessons learned. Given that there has not been an adequate systematic process for capturing lessons learned over time, there is a real risk that substantial lessons learned, capacity, and institutional knowledge among individuals will be lost if they are not captured and recorded. Although positive discussion on how to enhance KM in the GEF is under way, more remains to be done.

MIS in the GEF have also been lacking since its inception. Each of the GEF entities maintains its own database, but currently no comprehensive and integrated MIS captures information systematically and makes that information regularly available to GEF partners, which makes accurate monitoring of GEF activities at the portfolio level very difficult. The Project Tracking and Management Information System (PMIS) maintained by the GEFSEC is inadequate to meet the management and monitoring needs of the GEF. The lack of transparency threatens the GEF’s partnership with recipient countries by not empowering them to stay actively involved in tracking their projects through the project cycle. The current inability of the GEF to monitor its portfolio at a macro level inhibits strategic vision, though the GEFSEC is slated to undertake monitoring at the portfolio level. The lack of MIS also greatly inhibits the ability of the evaluator to report on results in the focal area programs and in other areas, such as actual cofinancing. The GEF’s ability to demonstrate success in the Ozone Depletion focal area, where the GEF can rely on the Ozone Secretariat’s

systems for tallying results, underscores the need for more robust data systems. A comprehensive, reliable, and harmonized MIS could allow OPS4 to confidently report on the results of the GEF and the GEF's progress in meeting its operational principles.

8.6 Network Responsibilities and Administration

OPS3 finds that the GEF, based on its composition, structure, and division of roles and responsibilities, is a network organization, which is different from a stand-alone hierarchical organization.² A network is an emerging form of organization in which independent or at least semi-autonomous entities work together to achieve a common result. OPS3 finds that this network structure is the appropriate institutional form to enable the GEF to meet its mandate and operations. Indeed, the literature strongly supports the assertion that organizations that undertake complex and geographically dispersed challenges, are composed of multiple independent entities that have some claim on the mission, and require flexibility and responsiveness most effectively operate as a network.

8.6.1 Network Administrative Office

The literature supports OPS3's contention that complex networks such as the GEF require a Network Administrative Office to administer, guide, and coordinate network activities. The GEFSEC has worked consistently to manage the increasingly complex GEF network and to serve the Network Administrative Office function for the GEF. The activities undertaken include implementing GEF Council and Assembly decisions; preparing criteria, standards, priorities, and business plans; and coordinating various activities and partners, including Inter-Agency Task Forces, Executive Coordinator meetings, maintaining the PMIS, coordinating the Council member and focal point support programs and National Dialogue Initiatives (NDIs), undertaking dialogue with the Convention Secretariats, and performing general communication and outreach activities. These tasks are in addition to the day-to-day activities of managing the project pipeline, engaging in the approval process, and performing oversight responsibilities. The GEFSEC already has undertaken some organizational changes during GEF-3 to facilitate this administration, including establishing a group to manage corporate and operational issues of the GEF.

However, without adequate resources, the GEFSEC will not be able to continue functioning effectively as the Network Administrative Office of the GEF. Given that the Secretariat's corporate budget has remained steady as an overall percentage of the programming budget since the restructured GEF FY1995–98 (GEF-1), the apparent ability of the GEF coordination mechanism to absorb an increase in coordination and communications channels resulting from the addition of two focal areas and seven Executing Agencies (EAs) with expanded opportunities could suggest either a maturing economy of scale or a positive efficiency outcome. Although the GEFSEC has absorbed these expansions to some degree, its effectiveness and ability to implement a comprehensive, GEF-wide coordination strategy, rather than individual coordination efforts, will be compromised as the GEF continues to expand. Without additional support in the form of staff and resources, it is unclear whether the growing responsibilities of the Network Administrative Office can be accommodated. With additional resources, and as the Network Administrative Office function matures, however, the GEFSEC will be better able to provide key central coordination services that will help to fully integrate GEF partners, such as NGOs, EAs, the Scientific and Technical Advisory Panel (STAP), and the private sector.

8.6.2 Competition versus Collaboration

OPS3 found that roles and responsibilities were not always clear for IAs and EAs, especially with regard to collaboration and competition. IAs are aware of their stated comparative advantage, but there were a number of projects for which it was not possible for OPS3 to discern from the characteristics of the project why a particular IA was the implementer of record. The OPS3 team also heard testimony from the IAs themselves

and other stakeholders that competition for projects and resources was forcing IAs to look ever wider for projects and investigate new lines of business to support their sustained growth, even when those projects crossed over into the comparative advantage of one of the other IAs. This tendency to blur the boundaries of the IAs' roles is further exacerbated by the addition of the EAs that must find their way within the GEF project context. EAs have an uncertain mandate and a large learning curve to climb in order to function competitively in the GEF "market." In fact, only four of the seven EAs with expanded opportunities have signed a memorandum of understanding (MOU) with the GEF that officially sanctions their ability to implement projects solely. EAs are the lead on only 38 of the more than 1,500 projects implemented by the GEF, which further underscores the nascent aspect of their involvement and speaks to the competitive playing field and dwindling funds under GEF-3.

While competition is, in some cases, straining the trust among corporate entities, collaboration among project proponents, including IAs and EAs, is being fostered by the GEF as a means to improved functioning (and cost effectiveness) and is specified in the "Instrument for the Establishment of the Restructured Global Environment Facility" (GEF 1994). In discussions with the GEFSEC and the IAs, it was clearly stated to the OPS3 team that unlimited competition will be at odds with collaboration. For example, joint project implementation and the associated fee sharing imply collaboration, but competition implies developing and implementing wholly owned projects with a single manager claiming the entire fee. On their own, the IAs will not likely be able to solve effectively the equation between competition and collaboration on projects. In the POPs focal area, for example, it was envisioned that the comparative advantages of the IAs and EAs would be brought to bear jointly in NIP development, with the United Nations Industrial Development Organization supporting activities with an industrial component and the Food and Agriculture Organization of the United Nations having responsibility for agricultural aspects. The current competitive climate has resulted in projects being developed with a sole agency as the implementer. Additionally, under a full competition scenario, IAs may be less willing to fulfill their GEF corporate responsibilities.

8.6.3 Scientific and Technical Advisory Panel

Despite the recent efforts of the STAP to refine and focus its work, and coordinate more closely with GEF entities, stakeholders generally believe that the panel is still not nearly as responsive as it needs to be and is not able to provide consistent value to the GEF. For instance, stakeholders at the GEFSEC, the IAs, and within the STAP itself asserted that STAP reports are not always relevant to the GEF and are not always provided to GEF entities in a timely enough way to be useful. The current process for requesting STAP reports is circuitous, and the reports, when completed, may no longer be relevant. Also, although the STAP roster is seen as a success in building scientific capacity within the GEF system, the selective use of the STAP roster is still not perceived as objective by project proponents, GEFSEC staff, and STAP members. In particular, because project managers at the IAs are able to choose the roster expert who reviews their project, there is the appearance of a conflict of interest.

Moreover, despite the efforts of STAP leadership to do so, the STAP has not been able to sufficiently reach out to the scientific and research community for selected technical input as its mandate clearly prescribes, nor has it used the linkages with other scientists, a hallmark of the academic community, to leverage its own resources. This leads to a conundrum because STAP members frequently do not have sufficient time to dedicate to their STAP work, but more networking with the larger academic community could potentially alleviate this problem by leveraging additional experts. Finally, OPS3 finds that positive progress is being made: a STAP retreat in Quito, Ecuador, is planned to discuss these issues with GEF partners, including the IAs, OME, and the GEFSEC.

8.6.4 Monitoring and Evaluation

Some partners within the GEF system are in fact *parts* of partners. This can result in overlapping and competing procedures. For example, evaluations performed as part of the requirements for an institution's

own evaluation procedures may overlap with (but not fully supplant) GEF requirements for evaluation. Additionally, because IA evaluation systems historically have not been validated by OME, there was some inefficiency related to evaluating evaluations. OPS3 finds that one of the most notable signs of recent success has been the new leadership of, and strategic actions undertaken by, the independent OME. The consultative process sponsored by OME is evidence of growing harmonization of goals and processes across the GEF, but there are remaining tensions and obstacles to overcome. OPS3 encourages the continuation of this process, especially given the broad stakeholder involvement approach that OME has chosen. In particular, OPS3 supports the idea of engineering quality into the M&E system through the validation of IA M&E systems. Indeed, the consultative process can be seen as a positive step toward developing an M&E “community of practice” throughout the network.

Through the consultative process, OME, the GEFSEC, and IAs and EAs are also coming to agreements on how to cover M&E at many levels; to date, however, monitoring at the network level has not been addressed. As a partnership network, the GEF reacts in complex, inter-reliant ways to changes in its own rules, such as the adoption of an RAF, changes in the IA fee system, or separation of M&E functions. These systemwide impacts must be monitored by OME to ensure that such modifications of rules or procedures are not having unexpected negative effects on the functioning of the network.

8.6.5 Private Sector

In recent years, GEF entities have explored the development of a more targeted approach to engage the private sector, including the preparation of a May 2004 OME report “Review of GEF’s Engagement with the Private Sector” (GEF/C.23/Inf.4 2004). In response, GEF management requested the GEFSEC to better articulate a private sector strategy, in collaboration with the IAs and EAs, and in consultation with private sector stakeholders. Discussion is ongoing, but a clear, focused GEF strategy for engaging the private sector is still lacking. The development of such a GEF strategy ultimately may require difficult decisions about the extent to which the GEF is prepared to reach out to industry and reconcile the differences in doing business—which include disparate drivers (profit versus environment) and different, sometimes incompatible, modes of operation and time frames for action. In part as a result of this absence of coherent strategy, the GEF has missed opportunities for potentially increasing catalytic effects through GEF projects involving the private sector. OPS3 supports the GEF-4 Programming Document in its assessment that strengthened engagement with the private sector should be a major element of the GEF-4 management agenda.

8.7 Small Grants Programme

The “Third Independent Evaluation of the GEF Small Grants Programme” (Wells, Hosain, Ogunseye, and Tresierra, 2003) noted that “in many countries SGP has become the permanent public face or even de facto ambassador of the GEF.” OPS3 also found that the SGP is well received by recipient countries and increases the visibility of the GEF. Indeed, the SGP remains one of the most appreciated programs of the GEF, and many representatives of countries, especially NGOs, that are not currently recipients of the SGP expressed to the OPS3 team that they wanted to be. Many recipient country stakeholders, including government representatives, NGOs, and project proponents, as well as in-country IA representatives, noted how effectively the SGP was responding to country priorities at the local level. The evaluation noted that “one of the most striking findings... is the high degree of fit between the services and benefits provided by the SGP and the current priorities and needs in an extraordinary variety of country contexts in which the program operates.” OPS3 found that the flexibility of the SGP has allowed for innovative thinking and design of activities to meet country needs and capacities in small island developing states (SIDS) and least developed countries (LDCs). Although many SIDS are only now gaining access to the SGP, they are optimistic about the impacts it will bring and feel strongly that wider access will lead to cost-effective strategies for addressing focal area needs.

The 2003 SGP evaluation also found that “the overall long-term global benefits from SGP activities will be considerable, and are likely to exceed the global benefits generated by most larger projects with financial resources comparable to or even exceeding the entire SGP budget.” Although the OPS3 team has not itself aggregated the benefits associated with SGP activities, it finds this conclusion meritorious.

Additionally, OPS3 concurs with BPS2004, which found evidence suggesting that smaller-sized projects may hold more promise in achieving sustainability,³ perhaps because of their more targeted focus and limited objectives, or because of the more transparent, participatory, and country-driven approach to planning that characterizes SGP projects. Stakeholders at all levels and across multiple countries interviewed as part of the OPS3 field study voiced very strong support for the SGP, citing very high likelihood of sustainability due to their being more manageable and accessible—especially for LDCs and SIDS with very limited capacities—and more in line with their capacity to absorb funds. The 2003 SGP evaluation also concluded that the SGP’s participatory approach to project development and implementation is very favorable to project sustainability.

The OPS3 team also heard anecdotal evidence from several groups of stakeholders, including IA country office representatives and other project proponents, that SGP projects are more replicable than larger projects because their lower cost makes them easier to adopt in other places. The 2003 SGP evaluation found that many SGP projects leveraged their impact through scaling up, replication, and influencing government policies during GEF-2 (FY1999–2002). Without a robust set of data on replication, however, no conclusions can be drawn on this issue by OPS3.

9. Major Recommendations

The major recommendations suggested by OPS3 are based on the main findings discussed in the previous section. The recommendations provided here are those that the OPS3 team viewed as most significant; within the main report, there are additional recommendations that have been identified and elaborated upon. Some of these have been aggregated into major recommendations, if, for example, they cut across focal areas or across Terms of Reference (TOR) areas. Others are minor or procedural in nature, and are not “major” recommendations. Please refer to the main report for a discussion of all recommendations, organized by TOR. The major recommendations are summarized in exhibit 54.

As presented in exhibit 54, and throughout the text that follows, a conceptual point is necessary to consider when interpreting and/or implementing these recommendations. That is, there are strategic as well as operational recommendations, and although the operational aspect of the recommendation is how the way forward may be put into practice, it is critical that these be considered in light of the more strategic aspects of the recommendation. For example, it is not sufficient to put in place a detailed system for managing information on the results of projects unless there is a strategic-level decision on what should be classified as results, what measures are appropriate, what levels of expectations are appropriate, what the priorities are, and so on.

GEF guidance has been incremental and additive and, generally, no direction has been provided on approaches for streamlining outdated guidance. The GEF Council will need to collaborate with the GEFSEC and IAs to determine how streamlining should be accomplished (for example, through elimination of guidance, harmonization of reports, and so on).

Exhibit 54. Summary of Major Recommendations

Topic	Recommendation(s)
Programming for results – Focal Area Level	<ul style="list-style-type: none"> Clarify strategic direction Define impacts
Programming for results – Country Level	<ul style="list-style-type: none"> Cultivate a stronger country program focus Incorporate RAF concepts into ranking projects at the country level Track sustainability and catalytic effects
Responsiveness to conventions	<ul style="list-style-type: none"> Strengthen two-way communication between the GEFSEC and Convention Secretariats
Information management within the GEF network	<ul style="list-style-type: none"> Establish a formal information management function
Network responsibilities and administration	<ul style="list-style-type: none"> Strengthen the role of the GEFSEC as the Network Administrative Office Clarify roles and responsibilities for all GEF partners, especially IAs and EAs Clarify and strengthen the role of the STAP Foster M&E at all levels Launch a private sector initiative
SGP	<ul style="list-style-type: none"> Allocate additional resources to the SGP

9.1 Programming for Results—Focal Area Level

- Clarify strategic direction.** The strategic direction and coherence of each focal area program should be clarified and improved. In particular, some reformulation of the GEF's programming framework and priorities should be undertaken to increase transparency and effectiveness of the programs. In the Biodiversity, Climate Change, and International Waters focal areas, the definitions of the OPs and the manner in which they contribute to achieving impacts should be clarified, and the relationship between OPs and Strategic Priorities should be clarified. In the Biodiversity Program, the “Christmas tree effect” can be counteracted by better describing the strategic vision and direction for the Program. In the Climate Change focal area, clarification of the way in which the long-term goal of market transformation outcomes contributes to GHG emissions reduction or avoidance would increase transparency of the Program. Also, while the strategic direction of the climate change portfolio has shifted over time (for example, moving away from solar photovoltaics [PV] projects), this direction should be better articulated to provide more program cohesiveness. In addition to clarifying the OPs, the IW Program should move from enabling activities to scaling-up of full operations to address agreed priorities for global critical transboundary water systems. In the relatively new focal areas of Land Degradation and POPs, moving beyond enabling activities to implementation should be undertaken. The Inter-Agency Task Forces should take up the matter of improving strategic direction and coherence at the program level. (TOR 1A, 1C)
- Define impacts.** Given the difficulties experienced by OPS3 in measuring program impacts, it is apparent that more pragmatic project impact definitions are needed. In order to measure the results of the GEF, and to evaluate whether the GEF is optimally programming to achieve results, indicators should continue to be developed and refined in all focal areas to allow aggregation of results at the country and program levels—for instance, across the Strategic Priorities. To cost-effectively deal with this daunting issue, the GEF must rely on the efforts of others in the area of indicator development, when possible. Collaborative efforts and coordination of activities are the strengths that the GEF can leverage to ensure progress in this area. Finally, to facilitate the aggregation of results, GEF partners should be more proactive about ensuring that project proponents understand how to report on results and should be stricter about the quality of project-level M&E. (TOR 1A, 1B, 1C)

9.2 Programming for Results—Country Level

- *Cultivate a stronger country program focus.* In countries with robust GEF portfolios, the GEF should move toward a stronger country program focus on local capacity, on partnership in the GEF process, as well as on planning and development of clear country strategies and priorities for GEF funding. Country programs should be developed within existing structures, as an outgrowth of and in concert with activities such as National Capacity Self-Assessments (NCSAs) and National Dialogue Initiatives (NDIs), and should be planned by a multistakeholder team coordinated by the GEFSEC and including IAs and EAs, national focal points, and other local stakeholders. In this role, GEF partner agencies should ensure that bottom-up requests in programming exercises are reconciled with the GEF's global strategic objectives. Additionally, country portfolio planning teams should pay attention to include local decision makers at the right levels in order to give the programs adequate weight and credibility in-country. Special consideration must be paid to indigenous populations, allowing them to play a lead role in programs design and implementation. Also, adequate attention should be paid to focal area interlinkages to optimize benefits both at the country and regional levels. In countries with smaller GEF portfolios (such as LDCs and SIDS), an alternative strategy should be considered. Finally, to better understand the GEF portfolio performance at the country level, OME evaluation of selected country portfolios is recommended. The outcomes of such evaluations would not only indicate performance at the country level, but also could serve as valuable input to future programming at the country level. (TOR 1D, 2A, 2B, 2C, 4E)
- *Incorporate RAF concepts in ranking projects at the country level.* With regard to the proposed RAF, the GEF should continue to develop hierarchies of priorities and incorporate important concepts into any eventual RAF scoring system. For example, geographic balance and the relationship between global and local benefits (such as poverty alleviation) are important factors that can lead to success. Project success factors and a weighting for innovation, as examples, should be included in a scheme to rank projects within a country program (or for picking among projects for countries with similar RAF ratings). This notion, which is not currently incorporated into current conceptions of the RAF, emphasizes the need for measuring benefits at the country portfolio level. (TOR 1E, 4E, 5A)
- *Track sustainability and catalytic effects.* Operational definitions and indicators are needed for sustainability and the mechanisms of catalytic effects (for example, cofinancing, leveraged resources, replication, and mainstreaming) to sharpen the focus on these goals. In particular, project design, implementation, and evaluation should explicitly consider sustainability and catalytic effects, and more systematically report on these issues in project documents to allow for the tracking of the GEF's success. For example, in the project implementation reviews (PIRs), assessments of all relevant factors of sustainability (that is, political and local will, finances, design, and management) should be explicitly included within the context of sustainability. While PIRs currently report on the level of financing received to date, they do not report on the levels of financing secured for the future, or on efforts undertaken to secure next-phase financing, which is important from a sustainability standpoint. A focus on sustainability would require that stakeholder participation be reported on in terms of how attitudes and behaviors have changed, and not simply on the number of workshops or meetings held. The OPS3 Team recommends that the GEF establish a dedicated team to explore indicators for sustainability and catalysis for use in project documents; conduct systematic ex post monitoring of random samples of GEF projects; and track and compile information on likely and actual sustainability and catalytic effects that can be aggregated at the portfolio level. Additionally, information generated from these processes must be shared within the GEF network to catalyze additional global environmental benefits. (See also the recommendation on "Information Management within the GEF Network.") (TOR 2A, 2B)

9.3 Responsiveness to Conventions

- *Strengthen two-way communication between GEFSEC and Convention Secretariats.* Robust, collaborative, and regular two-way communications between the GEFSEC and the Convention Secretariats should be further fostered to enable dialogue on priority setting, streamlining of strategies, and institutional capacity sharing. In particular, dialogue should also be pursued between the GEFSEC and Secretariats of the UNCCD and Stockholm Convention to monitor the observed differences between the Convention and the way that GEF programs intend to implement the focal areas. This dialogue should also serve to clarify outstanding issues such as guidance on how to calculate incremental costs associated with POPs activities. These interactions should be formally structured to ensure a transparent and effective process. (TOR 4C)

9.4 Information Management within the GEF Network

- *Establish a formal information management function.* To address the current inadequacy of both the KM and MIS functions in the GEF, OPS3 recommends that the GEF establish a formal function for information management in the GEFSEC (please see the recommendation on formalizing the GEFSEC's function as a network administrative office in the section on "GEF Procedures"). This function would be responsible for KM and MIS with the bottom-line goal of transparency at all levels of the GEF partnership network. The GEF should give this function appropriate time and resources, making it pragmatic by building on existing KM and MIS systems in the GEF entities (such as UNEP.net, UNDP's GEF portal, and the World Bank knowledge management system). In addition, in pushing forward KM and lessons learned, the GEF should make sure that adequate time is given to both the capture and, even more important, the dissemination and delivery of that information to its appropriate targets. As a first step in the improvement process, the GEFSEC should mount a focused effort with the IAs to update data that already exist in the current systems so that the latest and most accurate data are available. At the same time, the GEFSEC should begin the development of an information management strategy that will guide the long-term improvement and overall quality of the KM and MIS systems, and their supporting business processes. (TOR 5B)

9.5 Network Responsibilities and Administration

- *Strengthen the role of the GEFSEC as the network administrative office.* The GEFSEC, as the network administrative office, should administer and coordinate network activities in a more comprehensive and strategic way. The GEF Council should adjust resources allotted to the Secretariat, as necessary, recognizing that this function is critical to effectiveness and bears a cost. To that end, the GEFSEC, as the network administrative office, should consider formalizing the following organizational functions:
 - *Communication, coordination, and outreach*—covering communication with all the GEF partners in relation to capacity and coordination, including country partner capacity; communication and outreach; coordination and outreach with other partners, including NGOs and the private sector; and external entity outreach.
 - *Management, information, and policy*—encompassing the following functions: implementation of Council and Assembly decisions, policy and planning, work plan programming, information management strategies and systems, knowledge management and communities of practice coordination, and project cycle management. (TOR 4A, 4D)
- *Clarify roles and responsibilities for all GEF partners, especially IAs and EAs.* Roles and responsibilities for all partners must be clear, and outreach and collaboration must be encouraged. In particular, the GEFSEC needs to work with the IAs and EAs to clarify roles and responsibilities and work through the challenge of competition and collaboration—an issue that has the potential to seriously affect the quality of GEF

results during GEF-4 if it is not managed effectively and proactively. Because there are already disincentives to collaborate, including competition for resources and projects, and there is still poor transparency and less than full trust in the system, it is essential that the GEFSEC take more of a leadership role in enunciating the positioning of collaboration and competition in the system. OPS3 recommends that an ongoing dialogue between the GEFSEC, IAs, and EAs be undertaken to voice issues on the advantages and disadvantages of, and ways to optimize, the competition versus collaboration nexus. This dialogue could, for example, be in the form of a regularly scheduled workshop or contact group that convenes prior to GEF Council meetings. (TOR 4A, 4D)

- *Clarify and strengthen the role of the STAP.* The role of the STAP must be better articulated and the relationship with the outside scientific community strengthened and realigned. Positioning and accessibility must be conducive to early and effective involvement. STAP should also coordinate more closely with the scientific bodies of the conventions (for example, the Intergovernmental Panel on Climate Change [IPCC] and the POPs Review Committee), being careful not to overlap, duplicate, or supersede the mandates of those bodies. In addition, STAP should feed lessons learned, best practices, and science-based advice into the knowledge management system. To implement these recommendations and enable the STAP to provide relevant reviews in a timely manner, structural changes may be in order. One possibility is that the STAP could be streamlined to include only one member per focal area, plus a chair, and that all members could give a higher percentage of their time (for instance, 50 percent or greater) to increase commitment and availability. STAP activities could be coordinated through these seven panel members, who would draw on their networks with the greater scientific community, as well as on more junior scientists and consultants who have the time to undertake such activities. (TOR 4A)
- *Foster M&E at all levels.* OME should further foster collaboration by institutionalizing the consultative process to create a community of practice of M&E in the GEF, coordinating with IAs and EAs on the science of evaluation, building trust to foster harmonization and streamlining, and allocating responsibility at the appropriate level. OME should also begin to monitor the health and the effectiveness of the GEF partnership network itself, paying particular attention to the ripple effects of changes in GEF procedures and rules, such as the employment of an RAF. (TOR 4G)
- *Launch a private sector initiative.* The GEF should launch a private sector special initiative to look for good models of cooperation with the private sector and to pilot projects. Specifically, OPS3 recommends that the GEFSEC, in coordination with the IAs and EAs, work directly with members of the private sector to identify appropriate means and modalities to more effectively involve the private sector. Private sector representatives should be identified and selected based on their previous involvement with the GEF, so that a blueprint that is sensitive to the needs and realities of industry can be formulated during a series of work sessions scheduled throughout the year. The GEF should aim to design a proposal for private sector engagement that includes a strategy for private sector outreach and communication, as well as risk-sharing arrangements. In addition, the work sessions should address additional staff expertise or resources that may be required within the GEFSEC to actively engage the private sector moving forward, such as the potential development of a new staff position to identify, market, and facilitate new opportunities for private sector leveraging and partnerships. (TOR 3A)

9.6 Small Grants Programme

- *Allocate additional resources to the SGP.* Building on the findings of the Third Independent Evaluation of the SGP, OPS3 recommends that additional resources be allocated to the SGP and that the Land Degradation and POPs focal areas, and that the adaptation Strategic Priority under the Climate Change Portfolio be integrated into the program. Because the need for the SGP has been particularly noted in LDCs and SIDS, where the need for adaptation funding is also particularly strong, the inclusion of the adaptation Strategic Priority is especially appropriate. (TOR 1A, 1C, 4F, 5A)

Notes, Section V

1. Although the exact nature of the RAF is yet to be determined, such a system will necessitate the development of processes at all levels, including structures for decision making, M&E, outreach, and administration. It is with this in mind that OPS3 makes recommendations about the RAF. The need for such systems to support the RAF does not depend on the exact nature of the RAF, and OPS3 makes recommendations regarding the RAF at this abstract level.
2. This report uses O'Toole's (1997, 45) definition of networks as "structures of interdependence involving multiple hierarchical arrangement." Forms of network may include coalitions, alliances, partnerships, and so on. Rank and Wald (2000, 3) define a network as "a well-defined, persistent, and structured set of semi-autonomous corporate actors engaged in numerous mutual exchange relationships in order to jointly reach the common network objectives."
3. BPS2004 found that, of the projects assessed that reported achievements regarding the overall likelihood of sustainability, medium-size projects (MSPs) outnumber full-size projects (FSPs) by approximately two to one, and FSPs outnumber MSPs approximately two to one for projects that reported shortcomings on sustainability.

Annex A: Clarification of OPS3 Terms of Reference

OPS3 has interpreted many of the TOR questions for clarification purposes. These interpreted TOR questions will serve as OPS3's working definition of the TOR. The original TORs and the interpreted language are provided below.

TOR Question 1: Operational and Program Results

TOR question 1A: What have been the quantitative and qualitative impacts and results of GEF activities at the local, regional, and global levels in the areas of biodiversity, climate change, international waters, and ozone depletion?

- OPS3 interprets the words “impacts and results” as “results” for results to be consistent with the definition of results provided in the original TOR. This change has been made because results are defined as “outputs, outcomes, and impacts” in the original TOR.¹

TOR question 1B: If impacts and other results are not quantifiable, what are the reasons?

- OPS3 interprets the words “impacts and results” as “results” for results to be consistent with the definition of results in the original TOR (see discussion for TOR question 1A above).

TOR question 1C: Do projects developed under the new focal areas of land degradation and persistent organic pollutants reflect global priorities?

- No interpretation required.

TOR question 1D: What are the key factors that have contributed to the achievement of global environmental benefits?

- No interpretation required.

TOR question 1E: Historically, how have GEF resources been allocated geographically, and is this allocation consistent with strategic priorities?

- No interpretation required.

TOR Question 2: Sustainability of Results

TOR question 2A: To what extent have desired global environmental benefits continued following completion of GEF projects?

- No interpretation required.

TOR question 2B: What are the key factors that determine the sustainability of GEF projects?

- OPS3 interprets this question to be asking about the sustainability of global environmental benefits, rather than sustainability of GEF projects.

¹“Results are defined as the outputs, outcomes and impacts achieved by the implementation of projects and programs. These should include the assessment of both positive and negative outputs, outcomes and impacts that are both intended and unintended.” (Transcribed from footnote 2 of OPS3 TORs.)

TOR question 2C: To what extent do country ownership, stakeholder involvement in project development and execution, and the generation of local benefits improve the sustainability of activities supported through the GEF?

- OPS3 interprets this question to be focused on sustainability of results, rather than on sustainability of activities.

TOR Question 3: Effects of GEF Operations on Other Institutions and Related Issues

TOR question 3A: How successful has the GEF been in fulfilling its catalytic role by leveraging additional resources; catalyzing results by innovation, demonstration, and replication; fostering international cooperation on environmental issues; mainstreaming environmental issues into partner institutions; and involving the private sector in both projects and cofinancing?

- OPS3 interprets this question to be focused on four distinct areas, including (1) leveraging additional resources from public and private sectors; (2) catalyzing results by innovation, demonstration, and replication; (3) fostering international cooperation on environmental issues; and (4) mainstreaming environmental issues into partner institutions. Based on additional discussion of scope in the TORs, the first and the last portions of this question were combined into item (1).

TOR question 3B: What are the key areas that lead to catalytic impacts, and what issues need to be addressed to improve catalytic impacts?

- OPS3 interprets this question to be asking about key factors, rather than key areas.

TOR Question 4: Effects of the GEF's Institutional Structure and Procedures on Results

TOR question 4A: Are the GEF entities—the IAs and EAs, the GEFSEC, the STAP, and the Trustee—performing their respective functions in a satisfactory, cost-effective, and responsive manner?

- No interpretation required.

TOR question 4B: Are there conclusions that can be drawn with respect to cost effectiveness and responsiveness of the GEF projects in comparison to similar international institutions?

- No interpretation required.

TOR question 4C: Are the GEF's policies and programs adequately responding to the objectives of the conventions to which it serves as a financial mechanism?

- No interpretation required.

TOR question 4D: Are the GEF's composition, structure, and division of roles and responsibilities effective in meeting its mandate and operations?

- No interpretation required.

TOR question 4E: Are the GEFSEC and its partner agencies effectively responding to national priorities?

- OPS3 interprets this question to focus on the national priorities of recipient countries.

TOR question 4F: Is the GEF taking into account the varying capacities of countries including, for example, SIDS, LDCs, and emerging economies?

- OPS3 interprets “emerging economies” to mean CEITs.

TOR question 4G: How effective has the M&E unit been, and how effective has the M&E process been?

- No interpretation required.

TOR Question 5: Effects of GEF Implementation Processes

TOR question 5A: What are the factors that influence performance at all stages of the GEF project cycle?

- No interpretation required.

TOR question 5B: Have lessons learned and feedback been adequately integrated into project design and implementation?

- No interpretation required.

TOR question 5C: What progress has been made on the implementation of key policy recommendations from the GEF Council?

- No interpretation required.

Annex B: High-Level Advisory Panel

For the purpose of providing advice, comments, and suggestions on OPS3, an external and independent High-Level Advisory Panel has been established. The HLP will base its advice on its own knowledge and expertise as well as on the TORs for OPS3 as agreed upon by the GEF Council in its meeting of May 2004. Furthermore, given the independent status of OPS3, the panel's advice may be accepted or rejected (in whole or in part) by OPS3.

Panel members will not represent positions of their own institutions and will excuse themselves if any conflict of interest appears. Comments and suggestions of the panel will be provided to the OME and OPS3 as a panel and not from each individual member, although a panel member may take a minority viewpoint if he or she deems that necessary. The OME will provide the HLP's comments to the Council in a summary, with summaries of all stakeholder comments.

HLP TORs and Work Program

The HLP will receive an honorarium for their work and will be reimbursed for travel expenses as necessary. The panel is organized and paid for by a TOR separate from that of OPS3. During the first teleconference, the panel agreed on its TOR and work program as well as on the way the panel will function.

TOR

The HLP is required to fulfill the following tasks:

- Become familiar with GEF major documents and the OPS3 TORs
- Provide comments and suggestions to the OPS3 team and OME on the:
 - Draft inception report
 - Interim report
 - Final draft report
 - Methodological papers or other products of the review that the OPS3 team would like to submit to the advisory panel

HLP Work Program (2004–2005)

October 8, 2004	Public announcement of the HLP
October 13 or 14, 2004	Teleconference: introduction to the GEF, OPS3, HLP TORs, and work program
October 15, 2004	Inception report due to the GEF Council
October 22, 2004	Teleconference: discussion of inception report
October 29, 2004	Comments on inception report to OPS3 and the GEFM&E
November 10, 2004	Inception report due to the GEF Council
December 17, 2004	Teleconference to receive an update and progress by OPS3 and the GEFM&E and discuss how the plan will provide comments on the interim report and first draft
January 20, 2005	Draft interim report to the HLP

January 20–21, 2005	Meeting in Washington, DC: comments on interim report (comments due to OPS3 and the GEFM&E by January 28)
January 31, 2005	Interim report due to the GEF Council
April 15, 2005	First draft report to the HLP
April 19–20, 2005	Meeting in Washington, DC: comments on draft report
April 30, 2005	Final draft report due to the GEF Council
May 20, 2005	Final OPS3 draft report due to the GEF Council

Annex C: List of Interviews and Country Trips

Exhibit 55. Contacts Interviewed by the OPS3 Team

Name	Organization
NGOs	
Arcanjo Daniel da S. Fonseca	Fundação Pró-Natureza (Brazil)
Adolpho Luiz B. Kesselring	Fundação Pró-Natureza (Brazil)
Mara Cristina Moscoso	Fundação Pró-Natureza (Brazil)
Carlota Sanchez Aizcorbe	Fundación Pro-Tigre y Cuenca del Plata (Argentina)
Adrian Rosenberg	Fundación Ecologica Universal (Argentina)
Elena Palacios	Fundación Ecologica Universal (Argentina)
Liliana Hisas	Fundación Ecologica Universal (Argentina)
Nagayuki Kurita	Mizuho Information and Research Institute (Japan)
Arq. Elida Barreiro	Fundación Jorge E. Roulet (Argentina)
Brigitte Garcia	Organización Internacional Proinversión y Conservación del Medioambiente (Paraguay)
Deborah S. Bigio Edery	Fundación para la Defensa de la Naturaleza (Venezuela)
Eduardo Ditt	Instituto de Pesquisas Ecológicas (Brazil)
Galo Medina	Ecociencia (Ecuador)
Gaston Urquiza	International Institute for Economic Development—Latin America (Argentina)
German Rocha	Fundación Instituto Biodiversidad (Colombia)
Jorge Ugaz	Pronaturaleza (Peru)
Juan Luis Mérega	Fundación del Sur (Argentina)
Maria Leichner	Fundación Ecos (Uruguay)
Milagros Olivera	Fundación Vida Silvestre (Argentina)
Teresa Moncarz	Asociación Civil Los Algarrobos (Argentina)
Victoria Maldonado San Jose	Comité Prodefensa de la Flora y Fauna Chilena (Chile)
Abdou Ouedraogo	Association Nationale d'Action Rurale (Burkina Faso)
Florent S. Ouedraogo	Association des Volontaires pour le Développement—Bureau de Liaison des Organisations Non-Gouvernementales et Associations (Burkina Faso)
Guillaume Badoit	Association Communauté Burkinabé d'Action, Groups Energy Renewable and Environment (Burkina Faso)
Idrissa Zeba	Fondation Naturama (Senegal)
Jean-Marie Gyengani	Secrétariat Permanent des Organisations Non-Gouvernementales (Burkina Faso)
Libasse Ba	Enda-Energie (Senegal)
Tony Hill	Tree Aid (international representative)
Yacouba Ouedraogo	Tree Aid (Burkina Faso representative)
Alexandra Saenz	Fondo Nacional de Financiamiento Forestal (Costa Rica)
Donald Reyes	Mesa Indígena (Costa Rica)
Esmerelda Arce	Asociación Centroamericana para la Económica, la Salud y el Ambiente (Costa Rica)
Esther Camac	Asociación Ixacavaa (Costa Rica)
Ingrid Anabella Arias Salas	Foundation for Eco-Development and Conservation (Guatemala)
Jesus Cisneros	IUCN Central America
Jorge Mario Rodriguez	Fundo Nacional de Financiamiento Forestal de Costa Rica (Costa Rica)
Jose Antonio Chaves Villalobos	Movimiento de Agricultura Orgánica Costarricense (Costa Rica)

(continued)

Name	Organization
Jose Maria Blanco R.	Biomass Users Network of Central America (Costa Rica)
Luis Marin	Asociación Preservacionista de Flora y Fauna Silvestre (Costa Rica)
Macario Pino	Fundecooperación (Costa Rica)
Maribel Sinfonte	IUCN (Costa Rica)
Oliver Komar	Programa de Ciencias para la Conservación (El Salvador)
Oscar Sanchez Chaves	Fondo Nacional de Financiamiento Forestal (Costa Rica)
Roberto Pedraza	Sierra Gorda (Mexico)
Ronald Arias	Fundecooperación (Costa Rica)
Ronny Cascante	Biomass Users Network (Costa Rica)
Silvia Chavez	Centro de Derecho Ambiental y de los Recursos Naturales (Costa Rica)
Williams Marroquin	Fundación Hondureña de Ambiente y Desarrollo (Honduras)
Zsuzsanna Pato	Independant NGO representative (Hungary)
Angel Grana Gonzalez	The Antonio Núñez Jiménez Foundation for Nature and Humanity (Cuba)
Esten Fabiola	The Antonio Núñez Jiménez Foundation for Nature and Humanity (Cuba)
Liliana Nunez Velis	The Antonio Núñez Jiménez Foundation for Nature and Humanity (Cuba)
Maria del Carmen	The Antonio Núñez Jiménez Foundation for Nature and Humanity (Cuba)
Oretes Rodriguez	The Antonio Núñez Jiménez Foundation for Nature and Humanity (Cuba)
Roberto Perez Rivero	The Antonio Núñez Jiménez Foundation for Nature and Humanity (Cuba)
Marton Kelemen	Milvus Group (Czech Republic)
Milena Bokova	BlueLink (Bulgaria)
Mojmir Vlasin	Czech Union for Nature Conservation and the Veronica Ecological Institute (Czech Republic)
Todd Shneck	Regional Environmental Center for Eastern Europe
Andras Krolopp	Regional NGO coordinator (Hungary)
Akram Issa Darwish	Syrian Society for Conservation of Wildlife (Syria)
Emad Adly	Arab Network for Environment and Development
Fauzi Senhaji	Groupe d'Études et de Recherches sur les Énergies Renouvelables et l'Environnement (Arab Republic of Egypt)
Imad Atrash	Palestine Wildlife Society (Egypt, Arab Republic of)
Khadija Catherine Razavi	Centre for Sustainable Development (Iran)
Annie Homasi	Tuvalu Association of NGOs (Tuvalu)
Bakanebo Tamaroa	Kiribati Association of NGOs (Kiribati)
Cema Bolabola	Pacific Island Association of NGOs (Fiji)
Coral Pasisi	South Pacific Regional Environmental Programme (Samoa)
Dennis Alessio	Waan Aelon in Majel (Marshall Islands)
Doroteo Nagata	Palau Community Action Agency (Palau)
Henry Vira	Vanuatu Association of NGOs (Vanuatu)
Pori Williams	Cook Islands Association of NGOs (Cook Islands)
Tina Takashy	Federated States of Micronesia Alliance of NGOs (Federated States of Micronesia)
Muiaki Makani	Niue Association of NGOs (Niue)
Neil Netaf	Pacific Concerns Resource Centre (Fiji)
Nelson Tamakin	Nauru Island Association of NGOs (Nauru)
Paulo Vanualailai	World Wildlife Fund (Fiji)
Peceli Rokotuivuna	Pacific Island Association of NGOs (Fiji)
Rex Horoi	Foundation of the Peoples of the South Pacific International (Fiji)

Name	Organization
William Atu	The Nature Conservancy (Solomon Islands)
Lima Rosalind	World Wildlife Fund (India)
P. K. Gupta	National Cleaner Production Centre (India)
Prakash Rao	World Wildlife Fund (India)
Bakhyt Yessekina	Institute of Economics, Division of Environmental Strategy Development, Network of Experts of Sustainable Development of Central Asia (Kazakhstan)
Abdulrahman S. Issa	IUCN (Tanzania)
M. Charles Moturi	Industrial Research and Development Institute (Kenya)
Eldad Tukahirwa	IUCN, East Africa regional representative (Kenya)
George Jambiya	World Wildlife Fund (Tanzania)
Hazell Shokellu Thompson	BirdLife International—Birdlife Africa Partnership Secretariat (Kenya)
John Salehe	World Wildlife Fund, Eastern Africa Regional Programme Office (Kenya)
Joseph M. Maitima	International Livestock Research Institute (Kenya)
Julia Ndung'u-Skilton	International Plant Genetic Resources Institute (Kenya)
Julius A. Arinaitwe	BirdLife International— Birdlife Africa Partnership Secretariat (Kenya)
Lota Melamari	Wildlife Conservation Society (Tanzania)
Magnus Ngoile	National Environment Management Council (Tanzania)
Melita Samoilys	IUCN (Kenya)
Mine Pabari	IUCN, East Africa regional coordinator (Kenya)
Mohammed Y. Said	International Livestock Research Institute (Kenya)
Neil Burgess	World Wildlife Federation (Washington, DC)
Nike Doggart	Forest Conservation Group (Tanzania)
Thabit S. Masoud	CARE International (Tanzania)
Andre Volentras	South Pacific Regional Environmental Programme (Samoa)
Cristelle Pratt	South Pacific Applied Geoscience Commission (Fiji)
Asterio Takesy	South Pacific Regional Environment Programme (Mauritius)
Edgardo E. Tongson	World Wildlife Fund (Philippines)
Francis B. Lucas	Asian NGO Coalition (Philippines)
Lourdes G. Ferrer	Foreign Assisted and Special Projects Office (Philippines)
Luz Teresa P. Baskinas	World Wildlife Fund (Philippines)
Teresita T. Blastique	Department of Environment and Natural Resources (Philippines)
Emma Gileva	Black Sea NGO Network (Romania)
Johannes Wolf	Danube Environmental Forum
Magda Toth Nagy	The Regional Environmental Center for Central and Eastern Europe
Marta Szigeti Bonifert	The Regional Environmental Center for Central and Eastern Europe
Ruth Greenspan Bell	Resources for the Future
L. I. Abryutina	Russian Association of Indigenous People of the North (Russian Federation)
S. E. Tikhonov	Centre of International Projects (Russian Federation)
T. P. Butylina	Centre of International Projects (Russian Federation)
V. A. Rezepov	Centre of International Projects (Russian Federation)
Yu. Darman	World Wildlife Federation (Russian Federation)
Yu. Klimova	Centre of International Projects (Russian Federation)
David Chitedze	Greenline Movement (Malawi)
Dieter Holm	Sustainable Energy Society of Southern Africa
Ebenizario Chonguica	World Conservation Union (South Africa)

(continued)

Name	Organization
Fred Kafeero	Environmental Alert (Uganda)
Keith Siame	Wildlife Conservation Society (Zambia)
Sarah Frazee	Conservation International, Critical Ecosystem Partnership Fund (South Africa)
Tzila Katzel	IUCN (South Africa)
Adhi Prasetyo	Raca Institute (Indonesia)
Aimé J. Nianogo	IUCN (Thailand)
Fadi F. Sharaiha	The Royal Marine Conservation Society of Jordan (Jordan)
Faizal Parish	Global Environment Centre (Malaysia)
Holly Dublin	IUCN Eastern Africa Regional Office (Kenya)
Phan Thi Nguyet Minh	Association of Botanical Protection of Vietnam (Vietnam)
John Fanshawe	BirdLife International (Thailand)
Junai Chimeg	World Wildlife Fund (Mongolia)
Menbayar Badarch	Nature and Environment Consortium (Mongolia)
Myrissa Lepiten-Tabao	Foundation for the Philippine Environment (Philippines)
Roy J. Cabonegro	Philippines Youth for Sustainable Development Assembly (Philippines)
Sanu Babu Silwal	Society of Environmental Journalists (Nepal)
Andrew Deutz	IUCN
Geoffrey Howard	IUCN
Nancy McPherson	IUCN
Julie Bourns	Conservation International
Linda Krueger	Wildlife Conservation Society
Randall Curtis	The Nature Conservancy
Project Managers	
Daniela America Suarez de Oliveira	PROBIO (Brazil)
Humberto Cardoso Goncalves	GEF Pantanal Alto Paraguai Project (Brazil)
Jose Luiz de Souza	GEF São Francisco Project (Brazil)
Paulo Lopes Varella Neto	Agencia Nacional de Aguas (Brazil)
Wang Shumao	Project Management Office of World Bank–GEF China Energy Conservation Project (China)
Bill Wallace	GEF–World Bank Renewable Energy Development Project (China)
He Ping	GEF-UNDP project manager (China)
Jim Finnucane	GEF–World Bank Renewable Energy Development Project (China)
Sherry Li	GEF-China Partnership on Land Degradation in Dryland Ecosystems (China)
Wang Xiwu	GEF- UNDP China Township and Village Enterprises Energy Conservation Program (China)
Zhang Weidong	GEF-China Partnership on Land Degradation in Dryland Ecosystems (China)
Zheng Ge	GEF-UNDP Energy Conservation and Greenhouse Gas Emissions Reduction in Chinese Township and Village Enterprises (China)
Alfredo Curbelo	Center for Management of Priority Projects (Cuba)
Daniela Mercedes Arellano	Ministry of Science, Technology, and Environment (Cuba)
Enrique H. Hernandez Hernandez	Planificador Regional, Centro Nacional de Áreas Protegidas (Cuba)
Joaquin Guiterrez	Gestión Ambiental, Centro de Información, Gestión y Educación Ambiental (Cuba)
Maria Abo	Ministry of Science, Technology, and Environment (Cuba)

Name	Organization
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Paulino Lopez	Energy Development Programme, Ministerio del Azúcar (Cuba)
Reinaldo Estrada	Centro Nacional Áreas Protegidas (Cuba)
Diaa El-Quosy	Lake Manzala Engineered Wetland Project (Egypt)
Ithar Khalil	Nile Basin Initiative (Egypt)
Mohamed A. El-Demerdash	GEF-UNDP Conservation of Medicinal Plants Project (Egypt)
G. Mishra	GEF-UNDP Removal of Barriers to Energy Efficiency Improvement in the Steel Rerolling Mill Sector (India)
Gireesh Madan	GEF-UNDP Assisted Government of India Programme (India)
Serik Akhmetov	Strategic Action Plan on the Caspian Sea (Kazakhstan)
Tolgat Kerteshev	GEF-UNDP Integrated Conservation of Priority Globally Significant Migratory Bird Wetland Habitat (Kazakhstan)
Valeriy V. Krylov	Forest Protection and Reforestation (Kazakhstan)
Vera Inyutina	GEF-UNEP Biosafety Project (Kazakhstan)
Fee Chon Chong-Low	GEF-UNEP project manager (Switzerland)
Chua Thia-Eng	GEF-UNDP–International Maritime Organization Partnerships in Environmental Management for the Seas of East Asia (Philippines)
Stephen Adrian Ross	GEF-UNDP–International Maritime Organization Partnerships in Environmental Management for the Seas of East Asia (Philippines)
Ivan Zavadsky	GEF-UNDP Danube Regional Project (Romania)
Kari A. Eik	GEF-UNDP Danube Regional Project (Romania)
Lubomyr Markevych	GEF-UNDP Dniro Basin Environment Programme (Romania)
Yegor Volovik	GEF-UNDP Black Sea Ecosystem Recovery Project (Romania)
A. D. Anisimov	Developing the Legal and Regulatory Framework for Wind Power in Russia (Russian Federation)
A. P. Shilina	Development of a Wetland Site and Flyway Network for Conservation of the Siberian Crane and Other Migratory Waterbirds in Asia (Russian Federation)
B. Reutov	Capacity Building to Reduce Key Barriers to Energy Efficiency in Russian Residential Buildings and Heat Supply (Russian Federation)
E. Sulman	Cost-Effective Energy Efficiency Measures in the Russian Educational Sector (Russian Federation)
E. I. Antonidze	Rehabilitation of the Black Sea Ecosystem (Russian Federation)
N. Alexeyeva	Development and Implementation of the Lake Peipsi–Chudskoe Basin Management Plan (Russian Federation)
N. N. Mikheyev	Interventions of the Dniro Basin Strategic Action Programme (Russian Federation)
P. V. Sulyandziga	Managing Project Group (Russian Federation)
V. Kryukov	Integrated Management of the Amur-Heilong River Basin (Russian Federation)
V. A. Vlasenko	Development of a Wetland Site and Flyway Network for Conservation of the Siberian Crane and Other Migratory Waterbirds in Asia (Russian Federation)
Yu. Kirillov	Developing the Legal and Regulatory Framework for Wind Power in Russia (Russian Federation)
D. C. Pacy	Department of Minerals and Energy, Wind Energy Project (South Africa)
Bob Scholes	Council for Scientific and Industrial Research, Assessment of Impacts and Adaptation to Climate Change (South Africa)
Bruce Hewitson	Assessment of Impacts and Adaptation to Climate Change (South Africa)
Dale Howarth	Addo Elephant Park (South Africa)

(continued)

Name	Organization
Etienne Fourie	Agulhas National Park (South Africa)
Howard Langley	South African National Parks
Lynn Jackson	Global Invasive Species Programme and GloBallast (South Africa)
Mandy Barnett	Cape Strategy and Action Plan Programme (South Africa)
Michael Knight	South African National Parks
Tertius Carnius	Agulhas National Park (South Africa)
Trevor Sandwith	Cape Strategy and Action Plan Programme (South Africa)
Ananda Rajoo	Restoration of Highly Degraded and Threatened Native Forests in Mauritius (Mauritius)
Hon. Rajesh A. Bhagnon	Restoration of Highly Degraded and Threatened Native Forests in Mauritius (Mauritius)
Private sector	
Suleiman Hassuani	Copersucar Technology Center (Brazil)
Andrew Laurie	Chief Technical Advisors (China)
Stuart Jeffcott	Chief Technical Advisors (China)
Abel Centella	Meteorology Institute (Cuba)
Ivan Holoubek	Regional expert for Croatia, Egypt, Hungary, and Slovak Republic; technical expert for Czech POPs National Implementation Plan
Peter Hilliges	Kreditanstalt für Wiederaufbau (KfW)
Deepak Rathi	Rathi Steels, Ltd. (India)
Nayanika Singh	Consultant for Ministry of Environment and Forests (India)
Silas M. Simiyu	KenGen (Kenya Electricity Generating Company Ltd.)
Adriana Cociasu	Consultant for National Institute for Marine Research and Development (Romania)
Joachim Bendow	International consultant for Black Sea Ecosystem Recovery Project and Danube Regional Project (Croatia , Germany)
Laurence Mee	International consultant (Romania)
Tanay Uyar	Black Sea Ecosystem Recovery Project consultant, the Marmara University (Turkey)
David Hancock	German Agency for Technical Cooperation (Deutsche Gesellschaft für Technische Zusammenarbeit [GTZ]) Solar Cooker Field Test (South Africa)
Marlis Kees	GTZ Programme for Biomass Energy Conservation (Southern Africa)
GEF Council	
Anton Hilber	Switzerland
Phillippe Roche	Switzerland
Jurg Schneider	Switzerland
Ellen Hagerman	Canada
Helen Walsh	United States
John Matuszak	United States
Jorge Chamero	Cuba
Josceline Wheatley	United Kingdom
Jozef Buys	Belgium
Michal Pastvinsky	Czech Republic
GEF Trustee	
Deborah Schermerhorn	
Jing Chen	
Kyung Hee Kim	
Pamela Crivelli	

Name	Organization
GEF Secretariat	
Xia Yingzhe	GEF Office (China)
Wen Gang	GEF Office (China)
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Exhibit 56. OPS3 Field Visit Schedule

Trip no.	Country	Purpose	Dates
1	Kenya	UNEP meeting, global projects overview	October 25–29
	Tanzania	Country visit	
2	Romania	Black Sea–Danube Stocktaking Meeting	November 10–13
	Thailand	IUCN conference, East Asia and the Pacific Regional Workshop	November 17–25
	Philippines	Country visit, ADB visit	
3	Czech Republic	MOP, country visit, Eastern Europe Regional Workshop	November 22–26
4	Argentina	COP 10	December 6–17
5	China	Country visit	December 3–10
6	Costa Rica	Country visit, Central America Workshop	January 10–16
7	Mauritius	SIDS meeting	January 10–14
8	Cuba	Country visit, Caribbean Regional Workshop	January 23–28
9	Germany	UNFCCC consultation	January 27
10	Russia	Country visit	January 30–February 5
11	Burkina Faso	Country visit, Francophone Africa Regional Workshop	January 31–February 4
12	Egypt	Country Visit , Middle East Regional Workshop	January 30–February 3
13	South Africa	Country visit, Anglophone Africa Regional Workshop	February 14–23
14	India	Country visit, South Asia Regional Workshop	February 16–23
15	Kenya	UNEP meeting and interviews	February 20–24
16	Brazil	Country visit	February 20–March 2
	Argentina	South America Regional Workshop	
17	Kazakhstan	Country visit, Former Soviet Union Regional Workshop	February 28–March 3
18	Fiji	South Pacific Regional Workshop	March 14–18

Annex D: Comparison to Similar Institutions (TOR 4B)

Background and Historical Context

The cost effectiveness and responsiveness of GEF projects in comparison to other institutions has been a recurring topic of interest within the GEF. Previously, limited efforts have been undertaken to develop conclusions about this topic, and key challenges in conducting such analysis have included identifying an appropriate basis for conducting a comparative analysis among institutions with unique characteristics. The OPS3 team understands that previous efforts within the GEF to conduct such assessments have been problematic, in particular because of the general lack of both relevant project- and institution-level cost-effectiveness data. Additionally, the similar institutions that best met the selection criteria have different technical focus areas from those of the GEF, which reduces the OPS3 team's ability to directly compare project implementation costs.

OPS3 observes that these constraints to comparison have not changed significantly, and adequate comparison of the GEF to similar institutions would require data to allow such a comparison review to address several key questions, as outlined in exhibit 57.

At the time of writing, a sufficient body of data useful for clear comparison based on these questions is still lacking, or would require a more extensive independent study with full access to performance data from other institutions. During discussions with the GEF OME at the outset of OPS3, it was agreed that in light of operational constraints, the OPS3 team would conduct a limited desk study to determine the availability of *existing* appropriate information on selected institutions that can be identified and reviewed expeditiously within the time frame and resources of the study. It was also agreed that this information should be found in similar performance evaluation documents conducted within the last five years.

Based on these and five other factors (the goals, structure, operations, and size of the institutions, as well as the maturity of the institutions' portfolios), the OPS3 team developed a preliminary list of 17 comparable institutions that were candidates for comparison with the GEF. Of these 17 organizations, 6 met the key criteria of having undergone a significant evaluation since January 2000, and 3 institutions had conducted evaluations that were sufficiently comprehensive in scope to include at least limited information required by the TOR concerning cost effectiveness and responsiveness. The three institutions identified are:

Exhibit 57. Questions for Institutional Comparison

Cost effectiveness
The GEF's use of cost-effectiveness thresholds compared with the selected institutions
GEF project life-cycle times and costs compared with the selected institutions
Project development costs
Project management costs and fees
Responsiveness
Project development pipeline time
Project implementation time
Timeliness of the GEF in implementing management guidance into operational projects and programs compared with the selected institutions
Responsiveness of GEF projects to the objectives and priorities of key stakeholders (for example, convention COPs, recipient countries) compared with the selected institutions

- Global Fund to Fight AIDs
- IUCN
- UNAIDs

Limited data were also available from a recent review of the MLF, which compared very specific cost-effective metrics related to MLF and GEF implementation of similar ozone-related projects.

Current Evidence

Cost Effectiveness

The OPS3 team found several existing metrics for measuring cost effectiveness among the three institutions. Different approaches to institutional management costs were also identified. In terms of direct comparison to cost effectiveness, and the handling of IA operating budgets, the MLF offered several points of useful comparison:

- In a direct comparison of costs of ozone-related project implementation, the cost effectiveness of MLF-implemented projects compared with GEF-implemented ozone projects was very similar. There was a 3.5 percent variation in the cost of ODS phaseout, per kilogram, between the two institutions. GEF costs were marginally higher at US\$11.07 per ODP kilogram (1991–2000), compared to MLF costs of US\$10.69 per ODP kilogram (1991–2003).
- Three IAs under the MLF (the World Bank, UNDP, and UNIDO) are currently provided with fixed core funding of US\$1.5 million, subject to annual review.
- In addition to core funding, project-level implementation and administrative fees are set at fixed rates equal to 7.5 percent for projects with a cost at or above US\$250,000, as well as institutional strengthening projects and project preparation, and a 9.0 percent rate for projects with a cost below US\$250,000, including country program preparation. These rates are comparable to current rates used within the GEF system, and they are also comparable to at least one fixed fee level currently under discussion within the GEF.

In terms of assessing overall corporate budgets among the institutions studied, comparison becomes more difficult because of the structure of each institution, differing technical mandates, differing institutional operating environments, and questions relating to the transparency of the information included in existing evaluations. Findings include:

- The GEF corporate budget, which includes all headquarters fees, administrative fees, and the fees provided to implementation agencies, has remained substantially unchanged despite the addition of seven new EAs and an increase in overall fund expenses of approximately 28.5 percent from 2000 through 2004. The GEF corporate budget as a percentage of all costs was 11.63 percent in 2000 and 13.5 percent in 2004. These data could indicate growing economies of scale and increased efficiency, though further study would be needed to draw more specific conclusions. Section 6.2 of this report includes additional detail concerning the GEF's overall cost effectiveness and evaluation of the corporate budget as a percentage of overall costs.
- Based on its 2003 progress assessment, the IUCN (2003b) reports annual expenditures of the Director General and Corporate Strategies and Services to be 13 percent, with remaining funds being reported in Global Thematic Programmes and Commissions (22 percent) and Regional Programmes (65 percent). These figures would appear to indicate that the GEF's corporate expenditures are comparable to those of IUCN. However, based on the IUCN's reporting, it is not immediately clear whether additional corporate

costs are embedded within the Thematic and Regional Programmes. If that were the case, the GEF's overall corporate cost effectiveness would appear to be equal to or more cost-effective than the IUCN's. Further data would be required to provide a more accurate assessment.

- The Global Fund to Fight AIDs reports spending 97 percent of funds on grants, with 1 percent of funds going to local financial agents and 2 percent to the Fund Secretariat. However, the data presented do not make clear whether these data include implementation costs of associated implementing partners such as the World Bank and the UNDP. There are also dissimilarities in the modalities of GEF and Global Fund operations that may skew this comparison.

Responsiveness

There are several findings that provide limited insights into the overall responsiveness of the GEF compared with other similar institutions:

- The OPS3 field study elicited many concerns regarding the inefficiency and overall time frame of the project cycle. Tightening the project cycle may both increase responsiveness to key stakeholders and improve the cost effectiveness of the GEF overall. Additional discussion of this issue in relation to the GEF is found under TOR 5A.
- IAs involved in both the MLF and GEF indicated that the GEF is, in general, a far more complicated instrument. There was an observed consensus that the GEF could borrow strategies from the MLF for simplifying the process of project development.
- There was a mixed reaction to the GEF's overall responsiveness among the various stakeholders consulting during the OPS3 field study. Although some stakeholders explicitly preferred using the GEF over other mechanisms or programs working in the same sector, other stakeholders conveyed that the GEF was not their preferred option, given the constraints on accessing the GEF, when a choice was possible (principally, time and ease of use issues). There was an observed consensus that when it is deployed in a timely manner, GEF funding has been very responsive in serving as "seed" funding or a "deal clincher" for mobilizing other partners around key issues. The GEF's grant-funding modality, in particular, has been cited as an attractive element that allows the GEF to be responsive in a unique manner.
- The OPS3 field study elicited mixed results concerning the level of GEF responsiveness to country priorities. There is a process in place for national priorities at the GEF to be considered during the project development process, and recent initiatives to stimulate country dialogue have been seen as positive steps, but three observations can be made by the OPS3 team. First, the GEF does not currently operate around the concept of country-based portfolios, so no operational framework exists to have national priorities lead the GEF process in-country. Second, there is wide variability in country capacity at the level of focal points, such that some countries have succeeded in matching their GEF portfolios to national priorities. Third, the current system for developing country-based projects places IAs in substantial control of the fate of projects, and there are suggestions that IAs may not be as responsible to national priorities, particularly if there is no IA "champion" backing a particular project. There are no data available in existing performance studies of the institutions compared to confirm whether those institutions are more or less responsive to this concern.
- In terms of being responsive in demonstrating results, other similar institutions studied appear to have developed specific strategies to present progress toward key metrics in their performance reporting. For example, the Global Fund provides clear progress toward a range of key metrics such as people treated, people reached for counseling, people trained in treatment strategies, equipment distributed, and so forth. The IUCN implements its program through Key Results Areas, which allow them to clearly point to achievements. The IUCN also points specifically to results that would be considered unquantifiable, but

that they consider key enabling or supporting achievements toward their goals. UNAIDS uses log-frames that explicitly link objectives and key indicators in the reporting performance evaluation process. As discussed in other sections of OPS3, the development and systematic use of performance metrics within the GEF, and creating linkages between those metrics and global environmental benefits, is a critical current shortcoming of the GEF.

- OPS3 noted that in the performance review of the Global Fund, it was reported that for 20 percent of grants, performance indicated that “no substantial progress was made against indicator targets.” The OPS3 team considered this to be useful information, because irrespective of the failures it points out, the information allows the Global Fund to more accurately report on specific results. This reporting strategy suggests a high level of transparency in the reporting process.

Recommendations

Cost Effectiveness

Cost effectiveness of GEF projects appears to be on par with similar institutions studied, where limited data were available. The overall corporate budget as a percentage of GEF costs also appears to be on par with those institutions, where limited data supported limited comparison. Therefore, no specific recommendations concerning cost effectiveness have been identified.

Responsiveness

Project cycle issues and overall complexity are clear obstacles to responsiveness among GEF stakeholders consulted during the OPS3 field study. Several stakeholders indicated that they avoid using the GEF as a mechanism when other options exist. To improve its responsiveness, the GEF needs to further streamline the project cycle so that it offers key stakeholders easier access, a clearer understanding of process, and a shorter time frame. In general, evidence from stakeholder consultations suggests that the GEF must continue to make itself easier to understand and use. These ideas are treated in more depth under TOR5A.

Despite the emphasis on results since the last replenishment, the GEF still does not have a process for managing its work and reporting on progress that allows for easy identification of results. There are remaining questions concerning how to identify the most appropriate indicators or metrics for results, and additional issues relating to how such results can be quantified. Further questions remain concerning which results are unquantifiable and how to identify and report on those results. In general the GEF needs to develop more effective mechanisms that are embedded in the overall management process of its programs from the concept to completion stage and allow for more effective identification, quantification, and communication of results. Developing such mechanisms would result in a tremendous improvement in the GEF’s responsiveness to the GEF Council, donors, and other key stakeholders who continue to express demands for better information on results of GEF-funded activities.

Responsiveness to national priorities is a central issue in GEF performance. Refer to the discussion on national priorities in Section 5.2 for specific findings and recommendations (TOR 4E).

Annex E: Progress on Recommendations from the Third Replenishment (TOR 5C)

In May 2000, the GEF Council requested the World Bank, as Trustee of the GEF Trust Fund, to initiate the Third Replenishment of the Trust Fund (GEF-3). The replenishment negotiations, in October 2000 in Washington, DC, began the GEF-3 replenishment process and finalized agreements on two issues. The first issue was to maximize the focus and effectiveness of GEF operations. The second was to address outstanding debts to previous GEF replenishments. It was agreed that the GEF-3 replenishment would include a second Overall Performance Study of the GEF, as well as policy recommendations for GEF-3. OPS3 seeks to assess the progress of the Third Replenishment recommendations.

At its meeting in May 2003, the GEF Council reviewed the “Action Plan to Respond to the Recommendations of the Second GEF Assembly, the Policy Recommendations of the Third Replenishment, the Second Overall Performance Study and the World Summit on Sustainable Development” (GEF/C.21/Inf.4). Council Members subsequently provided comments on the Action Plan to the GEFSEC in June 2003. The revised matrix from the Action Plan (GEF/C.22/7) will provide an input toward evaluating the progress on the Third Replenishment recommendations, and the assessment is OPS3’s own. Exhibit 58 presents the status of progress on implementing these recommendations.

Exhibit 58. Summary of Progress on Recommendations from the Third Replenishment

Recommendations from the Third Replenishment	Evidence of progress on recommendations	OPS3 assessment
<p>GEF at the country level</p> <ul style="list-style-type: none"> In addressing specific country needs, Participants recommend that the GEF, through country and regional dialogue workshops and the IAs' country programming efforts, consult with the country on the range of operational tools and programming modalities that have been developed for accessing GEF assistance with a view to using the most appropriate tools to address the country needs and enhance performance and effectiveness at the country level. 	<ul style="list-style-type: none"> An independent evaluation of the CDWs was presented to Council in November 2003, which recommended that there be an expanded second phase for the CDWs, including more resources available for workshops in a greater number of countries. <ul style="list-style-type: none"> Building upon lessons learned from the GEF CDWs, the GEF NDI was developed by the UNDP, in partnership with the GEFSEC and other IAs, to serve as one of the tools in response to the recommendations of the Third Replenishment of the GEF Trust Fund concerning strengthened country involvement and ownership and capacity building for national focal points. At the Council meeting in May 2003, the Council agreed to continue the Focal Point Support Program and authorized financing for an independent evaluation of the program. The evaluation completed in March 2004 (GEF/C.23/Inf.12) recommended that the GEF support program be extended with some redesign. At the May 2004 meeting, the GEFSEC submitted "Elements for Strengthening National Focal Points and Enhancing Constituency Coordination in GEF Recipient Countries" (GEF/C.23/12), proposing that, with minor changes, the program should continue to evolve over the next four years toward a more focused program that can be mainstreamed into capacity-building activities within each country. At its May 2004 meeting, the Council was unable to discuss the GEFSEC's proposal because of time constraints, but it did extend the program for another year. The GEFSEC's proposal was also not discussed at the November 2004 meeting. 	<ul style="list-style-type: none"> Both the NDI and the Focal Point and Council Member Support Program are very positive steps toward enhancing performance and effectiveness at the country level. The Council must find time to discuss the GEFSEC's proposal to enhance strengthening country coordination, however, rather than continuing to approve funding for the program on a year-to-year basis. Please see TOR 4D for more information.

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Recommendations from the Third Replenishment	Evidence of progress on recommendations	OPS3 assessment
<p>Capacity building</p> <ul style="list-style-type: none"> Participants recommend that the GEFSEC and IAs propose to the Council means to rationalize and coordinate activities in the field of enabling activities and capacity building to achieve effectiveness and efficiency. Participants also recommend that the GEFSEC and IAs give attention to the special needs of the LDCs and SIDS among them, particularly their needs for capacity building, consistent with recommendations aimed at maximizing results. 	<ul style="list-style-type: none"> In 2005, the Council approved the introduction of a pilot program for the financing of smaller MSPs up to US\$250,000, and Council Members expressed support for expanding the SGP. In addition, the Council approved an increase in SGP funding to US\$47 million for the first year of the SGP's Third Operational Phase. A new SLM portfolio of projects for LDCs and SIDS will be available to help LDCs and SIDS that have not yet completed their NAPs combat desertification, to help them develop individual, institutional, and systematic capacity for SLM. The GEF established an LDC Fund as a first step to provide funding to meet the full cost of preparing NAPAs, to help build capacity for the preparation of National Communications under article 12, paragraph 1 of the UNFCCC. As of September 2004, projects for the preparation of NAPAs in 43 countries have been approved, totaling US\$ 9,415, 219. 	<ul style="list-style-type: none"> The GEF has taken commendable actions to try to accommodate the varying capacities of LDCs, SIDS, and CEITs. Please see TOR 4F for a more detailed assessment.
<p>Strategic planning</p> <ul style="list-style-type: none"> Participants request the GEFSEC to work with the Council to establish a system for allocating scarce GEF resources within and among focal areas, with a view toward maximizing the impact of these resources on global environmental improvements and promoting sound environmental policies and practices worldwide. In this connection, Participants request the GEFSEC to prepare, in consultation with the Council, a paper for Council review and decision at its meeting in May 2003. A draft paper that can be used as a basis of consultation should be circulated to Council Members by February 1, 2003. The paper should propose an allocation system, for which implementation should be initiated immediately after a Council decision in May 2003, based on the core principles of selectivity, accountability, and results. 	<ul style="list-style-type: none"> The GEF Council has discussed the development of an RAF at its various meetings. The Council discussed GEF/C.21/8, "Issues Note: A Framework for Programming Resources for Enhanced Performance and Results at the Country Level," at the May 2003 meeting and requested "the GEFSEC to establish and chair a working group of technical experts to prepare elements of a framework for GEF performance-based allocations for Council review and approval" (GEF 2003a). Based on nominations received from Council members and other experts identified by the Secretariat, the CEO constituted a Technical Working Group that worked during August–October 2003 toward developing an RAF. The group presented its final report, "Performance-Based Framework for Allocation of GEF Resources" (GEF/C.22/11), at the November 2003 meeting. The Council reviewed the report and requested the Secretariat to develop a GEF-wide system based on global environmental priorities and country-level performance relevant 	<ul style="list-style-type: none"> Although progress has been slow on establishing a system for allocating scarce GEF resources, in large part because of the complexity of the issue and political ramifications, good discussion has taken place on the development of an RAF.

Recommendations from the Third Replenishment	Evidence of progress on recommendations	OPS3 assessment
<ul style="list-style-type: none"> The system should establish a framework for allocation to global environmental priorities and to countries based on performance. Such a system would provide for varied levels and types of support to countries based on transparent assessments of those elements of country capacity, policies, and practices most applicable to successful implementation of GEF projects. This system should ensure that all member countries can be informed as to how allocation decisions are made. To achieve this end, the GEFSEC and IAs are requested to collaborate in presenting a new strategic approach to business planning for consideration by the Council at its meeting in May 2003. The new strategic business plan should be a performance-based, three-year plan that includes priorities for action to maximize results and impacts on the ground and fulfill the mission of the GEF to achieve global environmental benefits in its focal areas. The strategic business plan should provide an indicative financial planning framework, based on focal areas and program priorities, that provides reasonable predictability for the involvement of the GEF in the medium term, linked to indicators of strategic relevance, programmatic consistency, and expected outcomes. The strategic business plan should be reviewed and approved annually by the Council. Such review should take into account, among other things, changes that may emerge from country priorities, convention guidance, and lessons learned from the GEF M&E activities. 	<p>to those priorities. Further, the Council requested the Secretariat to present to the May 2004 Council meeting a study of options to strengthen the current system of allocating GEF resources with a view to coming to a conclusion in November 2004 (GEF 2003b).</p> <ul style="list-style-type: none"> At the May 2004 meeting, the Council reviewed "Performance-Based Framework for Allocation for GEF Resources" (GEF/C.23/7), and agreed that the GEFSEC should convene a seminar in September 2004 to advance the Council's work. The Secretariat was requested to prepare a more elaborated document for the seminar, taking into account the decision of the GEF Council at its November 2003 meeting. A seminar was held in Paris on September 27–28, 2004, for which the Secretariat prepared a discussion paper, "GEF Resource Allocation Framework." (GEF Secretariat, 2004. "GEF Resource Allocation Framework." August 2004. Prepared for the GEF Seminar on Resource Allocation Framework, held in Paris, France, from September 27–28, 2004). No consensus emerged on any of the three models for resource allocation that were presented in the paper. The seminar participants requested that the Secretariat present a paper to the Council for its review in November 2004 that will include options for an RAF reflecting the views presented at the seminar and earlier Council meetings. The Secretariat submitted a document, "GEF Resource Allocation Framework" (GEF/C.24/8), for discussion at the November 2004 meeting. A consultation was held in Paris on March 2, 2005, to discuss the RAF, which will be further discussed at the July 2005 Council meeting. 	

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Recommendations from the Third Replenishment	Evidence of progress on recommendations	OPS3 assessment
<p>Project cycle</p> <ul style="list-style-type: none"> Participants recommend that the GEF and IAs continue, in their dialogue with countries, to rigorously address the performance indicators related to expected success of a project at the country level, including country ownership, replicability, sustainability, public involvement, M&E, and cofinancing. Such indicators should also address assessment of project results and global environmental impacts. Participants recommend that the Council formulate stricter criteria for project and program quality, including criteria for cofinancing, on the basis of M&E experience and lessons learned by the GEF. 	<ul style="list-style-type: none"> The GEF has continued to review and improve the project cycle, clarifying policies and procedures for project amendments and drops or cancellations, and reviewing proposals for enhancing MSPs. Also see comments on cofinancing and indicator development below. 	<ul style="list-style-type: none"> The project cycle continues to be a struggle for the GEF, and indicators have not been fully developed as requested. Please see TOR 5A for a more detailed assessment.
<p>Incremental costs</p> <ul style="list-style-type: none"> The GEFSEC and IAs should continue their efforts to develop simpler guidance and communication for recipient countries on the determination of incremental costs and global benefits, including dissemination of a framework for increasing the recipients' involvement in the process of estimating these costs. 	<ul style="list-style-type: none"> The Action Plan (GEF/C.21/Inf.4) states, "In consultation with the IAs and Executing Agencies, the Secretariat will: (1) develop simpler guidance and communications for recipient country officials on the determination of incremental costs and global environmental benefits; (2) draft a framework for reaching agreement with countries on incremental cost. Among other things, such a framework would ascertain the involvement of beneficiaries and appropriate cost sharing; and (3) assist the Implementing and Executing Agencies to pilot this approach in a few countries." 	<ul style="list-style-type: none"> The activities described in the Action Plan have not been undertaken to date. Please see the discussion of TOR 4D for more information.
<p>Strengthening of institutional arrangements</p> <ul style="list-style-type: none"> It is recommended that the GEF institutional structure be strengthened to support a continued emphasis on quality and results, to ensure that new demands on the GEF are effectively addressed and streamline project-processing procedures. Participants recommend that in seeking to address these objectives and challenges, the GEF continue to build upon the comparative advantages of each of its entities as well as of their partnership. The Council is requested to review and approve the agreed plan of the GEFSEC and IAs to enhance their partnership and interactions by improving clarity in roles through specification of clear accountabilities and responsibilities. 	<ul style="list-style-type: none"> To further improve institutional coordination and operational efficiency, the GEFSEC created the new Operations Coordination Team in fiscal 2004 (GEF/C.23/9). The team has organized a series of meetings with the IAs to address and resolve outstanding operational issues. In December 2001, the Council reviewed a paper presenting proposals to strengthen the overall structure, processes, and procedures of the GEF. As a follow-up, the GEFSEC, in consultation with the other GEF partners, prepared a paper clarifying the main roles and the responsibilities of the GEF entities, which was presented in its final form in May 2003 (GEF/C.21/Inf.5). 	<ul style="list-style-type: none"> Although much more institutional strengthening certainly could and should be undertaken in the GEF, the GEF institutional arrangements have become stronger and more robust since OPS2, especially aided by the creation of the Operations Coordination Team in the GEFSEC. Please see TORs 4D and 4A for more information. The GEF has fulfilled this recommendation of the Third Replenishment by granting direct access to EAs under expanded opportunities and undertaking an in-depth review of the GEF's experience with the EAs thus far.

Recommendations from the Third Replenishment	Evidence of progress on recommendations	OPS3 assessment
<ul style="list-style-type: none"> Participants recommend that the Council agree that current EAs designated under expanded opportunities that have demonstrated their capacity and comparative advantage in developing and managing GEF projects through a portfolio of GEF activities (the ADB and the IADB) should now benefit from direct access through the GEFSEC to the Council for GEF project funding. It is also recommended that Council review annually, beginning in May 2003, the experience of other EAs designated under expanded opportunities and consider whether additional agencies should benefit from such direct access based on having satisfactorily demonstrated to the Council their capacity and comparative advantage in the management of GEF project activities. It is further recommended that an in-depth examination of the performance of the EAs operating under expanded opportunities, including those with direct access, be carried out during the Third Replenishment period with the objective of recommending continuation or modification of the policy. 	<ul style="list-style-type: none"> In November 2003, a review of the performance of the EAs recommended that, to reduce the complexities of the IA-EA arrangement and to alleviate some of the constraints impeding more active participation from current EAs, all EAs should be granted direct access to GEF project planning and implementation funds without involving the IAs beyond the initial due diligence reviews (GEF/C.22/12). At its November 2002 meeting, the Council approved direct access for EAs within their agreed scope of operation, and also agreed that on a case-by-case basis the CEO may approve PDF-A grants for the development of eligible concepts by an EA. The Council also requested the Secretariat to review the scope of GEF operations for each agency on the basis of a systematic review of institutional capacity in relation to GEF business needs. The Council also requested the Secretariat to further enhance the integration of EAs into GEF operations in a cost-effective manner. In the "Trustee Report" (GEF/C.24/Inf.3), presented at the November 2004 Council meeting, the Trustee reported that the ADB, IADB, and UNIDO had finalized their arrangements for direct access to GEF resources. 	

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Recommendations from the Third Replenishment	Evidence of progress on recommendations	OPS3 assessment
<p>Cofinancing</p> <ul style="list-style-type: none"> Participants request recipient countries, the IAs and EAs, and other donors to generate additional resources to leverage GEF funding. Cofinancing levels should be a key consideration in considering work program inclusion. Participants recommend that the GEF establish a cofinancing policy with consistent criteria and reporting requirements as well as cofinancing targets. Such targets should provide flexibility to take into account specific project situations. The amount of realized cofinancing in a project or program should be monitored and compared to the amount of cofinancing anticipated at the time of Council approval, and this indicator should be regularly reported to the Council. Recalling the Council's request for a note on cofinancing of GEF projects in May 2001, the Participants recommend that a proposed cofinancing policy be prepared by the Secretariat, in consultation with the IAs and EAs, for consideration by the Council at its meeting in October 2002. 	<ul style="list-style-type: none"> The Council reviewed and commented on the document "Cofinancing" (GEF/C.20/6, 2002. "Cofinancing." September 2002.) at its October 2002 meeting. The Council requested the Secretariat, in consultation with the IAs and EAs, to prepare a revised paper for the May 2003 meeting. The Council also requested the GEFSEC, in consultation with the IAs and EAs, to establish a database on cofinancing that will allow a better analysis of GEF experience and monitoring of cofinancing throughout project development and implementation. A policy and criteria on cofinancing, "Cofinancing" (GEF/C.20/6/Rev.1, 2003. "Cofinancing." April 2003), was presented to and approved by the Council at the May 2003 meeting. This paper identified several issues concerning current practice—consistency in reporting, monitoring of cofinancing, adequacy of cofinancing levels, stability of commitment—and proposed an approach with the following elements: (1) adopting consistent criteria for reporting cofinancing; (2) monitoring and evaluating the GEF experience in cofinancing; (3) applying lessons, managing in-kind commitments, and increasing cofinancing levels; and (4) confirming commitments and reviewing substantive changes. In approving the paper, the Council requested the Secretariat, in consultation with the IAs and EAs acting under expanding opportunities, to implement the policy and report to the Council in the GEF business plans on overall progress in implementing the policy. The fiscal 2005/07 Business Plan (GEF/C.22/6) reported that, since Council approval of the cofinancing policy and procedures, the definitions of different types of cofinancing and cofinancing requirements had been disseminated to the IAs and EAs; cofinancing requirements had been included as explicit criteria when reviewing GEF projects and monitored for each project in the GEF database. The document also reported that the GEF M&E unit was tracking actual cofinancing realized, at project mid-term and completion, through the annual PIR. 	<ul style="list-style-type: none"> The situation presented in the fiscal 2005/07 Business Plan has not been the assessment of OPS3; instead, actual cofinancing realized appears to be tracked in an ad hoc manner, and confusion remains regarding cofinancing versus leveraged resources. Please see the discussions of TORs 5B and 3A for more information.

Recommendations from the Third Replenishment	Evidence of progress on recommendations	OPS3 assessment
<p>Private sector</p> <ul style="list-style-type: none"> Participants recommend that the GEFSEC, in collaboration with the IAs and EAs, develop a new strategy to better engage the private sector, taking into account previous practices and policies. Participants recommend that the GEF, in preparing the strategy, consult with private sector actors to identify perceived constraints to working with the GEF. Clear operational guidelines should be elaborated to define the scope of GEF collaboration with private sector activities. 	<ul style="list-style-type: none"> At the May 2004 Council meeting, the GEF M&E unit presented their final report on the "Review of GEF Engagement with the Private Sector" (GEF/C.23/Inf.4). The GEFSEC also presented "Principles for Engaging the Private Sector" (GEF/C.23/11. 2004. "Principles for Engaging the Private Sector." April 2004), for which the Secretariat and the IAs consulted the private sector on several occasions, including at the Workshop on Business Models for Protecting the Global Environment. At its November 2004 meeting, the Council reviewed the "Management Response to the Review of GEF's Engagement with the Private Sector" (GEF/ME/C.24/6) and requested the Secretariat to articulate a private sector strategy, with the collaboration of the IAs and EAs and in consultation with private sector stakeholders. The strategy is to be submitted to the Council at its December 2005 meeting. 	<ul style="list-style-type: none"> This recommendation has been only partly implemented. A private sector strategy is currently under development, but it will not be completed within GEF-3. Please see TOR 3A for more information.
<p>STAP</p> <ul style="list-style-type: none"> Participants recommend that the UNEP and the Secretariat, in consultation with the other IAs and taking into account the views and recommendations of the STAP constituted during GEF-2 as well as the results of OPS2, present to the Council for its consideration proposals on the role of STAP. 	<ul style="list-style-type: none"> The Council, at its meeting held in May 2002, endorsed the recommendation to stagger the terms of appointment of members to the STAP by approving the composition of the STAP-III. Further, the third meeting of the STAP-III, held in October 2003, discussed and agreed on a note prepared by the UNEP on the role of the STAP (GEF/C.23/Inf.10. 2004. "Note of the Executive Director of UNEP on the Partial Reconstitution of STAP III While Enhancing the Role of the Scientific and Technical Advisory Panel (STAP). April 2004). To better integrate the STAP within the GEF, new coordination arrangements were agreed upon, STAP high-level segments were established, a new STAP roster of experts was established, and STAP adopted a Triennial Work Program. To further clarify the role and responsibilities of the STAP, Rules of Procedure (GEF/C.23/Inf.11. 2004. "Rules of Procedure of the Scientific and Technical Advisory Panel (STAP) of the Global Environment Facility." April 2004.) for STAP were prepared and submitted to all STAP members in March 2004. 	<ul style="list-style-type: none"> Some progress has been made to try to better integrate the STAP within the GEF, and proposals have been made on the future role of the STAP, but much work remains to be done to make the STAP an effective entity in the GEF. Please see TOR 4A for more information.

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Recommendations from the Third Replenishment	Evidence of progress on recommendations	OPS3 assessment
	<ul style="list-style-type: none"> In October 2004, the STAP had extensive discussions with the GEFSEC and IAs about work that the panel might undertake over the next two years. The STAP decided that it would emphasize its role as a provider of strategic advice, while continuing to advise on narrower, more technical issues (GEF/C.24/Inf.15). 	
<p>Measuring performance through strengthened M&E</p> <ul style="list-style-type: none"> Participants recommend that the GEF M&E unit, the Secretariat, and the IAs and EAs develop a common interagency approach on indicators to be used as practical guidelines for more systematic monitoring of such activities and document best practices of stakeholder participation. The GEFSEC and IAs and EAs should collaborate to ensure that strategic goals and priorities established in the strategic business plan are linked to programmatic and project performance indicators, including expected outcomes that can be monitored and measured to assess progress toward fulfilling such strategic goals. Indicators should be designed to assess global environmental impacts achieved from GEF resources. All projects must include clear and monitorable indicators, plans for monitoring and supervision, and identification of risks and other factors designed to improve quality at entry and maximize impact. There should be a transparent system for the monitoring of these indicators and outcomes and annually informing the Council. The GEF M&E unit and the Secretariat, in collaboration with the IAs and EAs, should establish concrete indicators to measure progress in mainstreaming. Participants requested the IAs to submit annual status reports on their mainstreaming strategies to the Council. Participants request that for each replenishment, projections of outcomes for the forthcoming replenishment period be provided so that countries better understand the outcomes and impacts expected to be achieved with the resources to be provided. Participants note that 	<ul style="list-style-type: none"> In the document "Reporting on Performance Targets to be Achieved by Fall 2004" (GEF/C.24/3), the following progress on developing indicators is noted: <ul style="list-style-type: none"> The Secretariat and the IAs have spent considerable time and resources developing methodologies, generating and collating information to report against the performance measures and to measure coverage and impact of the respective portfolios. It is recognized that these performance measures were derived from the programming paper that was prepared for purposes of the third replenishment of the GEF. Some focal areas have been relatively successful in tracking the targets. However, in others, the indicators, while seemingly appropriate at the macro-level, neither provide useful assessment of outcomes resulting from GEF projects nor serve as an incentive to achieve the strategic results towards which the GEF should be striving. The indicators and associated tools of assessment require ongoing refinement. The Secretariat will continue to improve both the means to measure achievement and impact at the portfolio level and the indicators themselves. "OME's Four Year Work Plan" (GEF/ME/C.24/5) also identifies the following indicator-related activities as needing attention: <ul style="list-style-type: none"> Development and strengthening of program indicator systems. Program indicator systems need to be developed for POPs, land degradation, integrated ecosystems and capacity development. Indicators for biodiversity, climate change and international waters need to be updated and strengthened. 	<ul style="list-style-type: none"> The GEF has made commendable efforts to develop indicators to assess global environmental impacts from GEF resources, but this process is nowhere near complete and many factors complicate the process. Please see TORs 1A, 1B, 4G, and 5B for more information. The GEF, and specifically the OME, has taken appropriate action to address this recommendation. Since OPS2, the GEFM&E has been in the process of redefinition, beginning with the approval of the TOR for an independent OME. Through the preparation of the new "OME's Four Year Work Plan" and "Elements for a New GEF Monitoring and Evaluation Policy," as well as through the consultative process, the OME has made great strides toward strengthening and improving the effectiveness of M&E in the GEF. Please see TOR 4G for a more detailed discussion.

Recommendations from the Third Replenishment	Evidence of progress on recommendations	OPS3 assessment
<p>projected outcomes were prepared and considered for the current replenishment. The replenishment process should also be informed of the results and impacts achieved during the previous replenishment, such as through an independent OPS as was the case for GEF-3, and this information should be provided in advance of the replenishment process.</p> <ul style="list-style-type: none"> Participants recommend that a high priority be placed on strengthening M&E of GEF projects. Participants also recommend that the roles and responsibilities for M&E among the GEF M&E unit, Secretariat, and IAs and EAs be reviewed by the Council together with recommendations aimed at developing a partnership approach to M&E responsibilities and increase complementarity. More specifically, Participants recommend that the following actions be undertaken: <ul style="list-style-type: none"> ➤ The GEF M&E unit, for purposes of evaluation, should be made independent, reporting directly to the Council, with its budget and work plan determined by the Council and its head proposed by the GEF CEO and appointed by the Council for a renewable term of five years. ➤ A process for Council oversight of M&E should be established. ➤ The GEFSEC and IAs and EAs should establish a procedure to disseminate lessons learned and best practices emanating from the M&E activities. ➤ A formal feedback loop should be established between evaluation findings and management activities to ensure more systematic use of the results and outputs of GEF projects for the improvement of planning and subsequent activities. ➤ The GEFSEC and IAs and EAs are called upon to report annually to the Council on their response to relevant recommendations of OPS2 and the replenishment documents. ➤ The GEF M&E unit should establish more rigorous minimum standards for GEF-specific aspects of projects relating to GEF policies and strategies expected of M&E units of the IAs and EAs. 	<ul style="list-style-type: none"> ➤ Mainstreaming of GEF concerns in IA and EA internal reviews and feedback systems in monitoring reports, including rating criteria and practices across agencies. At the last GEF replenishment, the Council decided that the OME will verify the attainment of the replenishment targets approved for GEF-3. The first report was submitted to the November 2004 GEF Council meeting (GEF/C.24/3). The second report is scheduled for the end of GEF-3 in 2006. If requested by the Council, the Office will continue this work during GEF-4. "OME's Four Year Work Plan" (GEF/ME/C.24/5) also identified a need to pay more attention to the development of methodologies to calculate GEF achievements related to replenishment and Assembly decisions. OPS3 was prepared and submitted in advance of the replenishment process. The TORs for an independent M&E unit reporting directly to the Council were approved by the Council in July 2003, and a new Director of M&E was appointed in 2004. In 2004, the GEF M&E unit was renamed the Office of M&E (OME). The OME document "Elements for a New GEF Monitoring and Evaluation Policy" (GEF/ME/C.24/1), presented to the Council in November 2004, outlined an approach for follow-up on M&E reports through a system of management responses prepared by the GEFSEC and an MAR maintained by the OME for reporting on follow-up to Council decisions on M&E reports and management responses. In "Elements for a New GEF Monitoring and Evaluation Policy," the OME proposed to start a process of consultation with GEF partners to develop proposals for a new division of labor in M&E activities. The OME proposed, in "Elements for a New GEF Monitoring and Evaluation Policy," to start a collaborative effort with the evaluation units, offices, and departments of the GEF partners to identify best practices in environmental evaluations and monitoring the specific issues that concern the GEF. The OME held the first consultative workshop in January 2005 with the 	

(continued)

Recommendations from the Third Replenishment	Evidence of progress on recommendations	OPS3 assessment
<ul style="list-style-type: none"> ➤ Because each of the IAs and EAs has its own system for drawing lessons from operational experiences, the GEF M&E unit should facilitate more intensive interagency sharing of experiences relevant to the GEF. ➤ All projects should include provisions for monitoring the impacts and outcomes of projects, and those existing projects that do not have such provisions and have more than two years left in their implementation should be retrofitted to meet such monitoring standards. ➤ The GEF M&E unit should report annually to the Council on its work. ➤ The GEF M&E unit should be provided access to all project documents of the IAs and EAs related to GEF-financed activities. • Taking the above into account, Participants recommend that the GEF M&E unit prepare a note for consideration by the Council at its meeting in October 2002 on the TORs for the independent M&E unit. 	<p>IAs, EAs, and GEFSEC, which the OPS3 team attended. A follow-up workshop is planned in Rome for EAs that were not able to attend in January, as well as additional consultations with the STAP, NGOs, and other stakeholders.</p>	

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