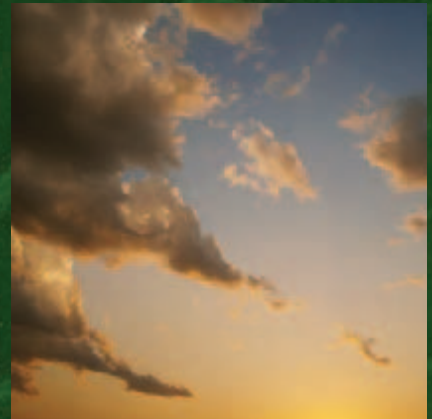


OPS3: Progressing Toward Environmental Results



Third Overall Performance Study of the Global Environment Facility
EXECUTIVE VERSION





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Third Overall Performance Study of the
Global Environment Facility

EXECUTIVE VERSION★

June 2005

★ The full text of the study can be found on the CD on the inside back cover.

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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 of 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 that the GEF is facing in reaching (and maintaining) these results are identified. 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. 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. Last, 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 “snapshot”) 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 toward 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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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 toward achieving, its main objectives, as laid down in the GEF Instrument (GEF 1994) 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 2004). The scope of the OPS3 study is defined by the “Terms of Reference for the Third Overall Performance Study of the GEF (Annex 1),” approved by the GEF Council on May 21, 2004, which covers five main themes: (1) results of GEF activities; (2) sustainability of results at the country level; (3) the GEF as a catalytic institution; (4) GEF policies, institutional structure, and partnerships; and (5) GEF implementation processes.

This executive version of the OPS3 report presents the voluminous material assembled by the study into a digestible

format for decision makers. The executive version focuses on the main findings and major recommendations coming from OPS3 because, from the beginning of the OPS3 process, this has been the subject of greatest interest to the GEF Council and the host of other interested parties. The OPS3 team heard on many occasions that it was essential to articulate clearly what the results of the GEF have been and to clearly point out not only strengths and weaknesses of the GEF, but also to show the way forward by identifying actionable recommendations that can be readily implemented, and with continued attention, lead to improvements in GEF processes, systems, and mechanisms for generating results.

The organization of the executive version parallels the full report with the exception that main findings and major recommendations are placed first.



Main Findings

OPS3 has identified findings in seven 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, (5) information management and knowledge sharing, (6) network responsibilities and coordination, and (7) the Small Grants Programme (SGP).

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 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. 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 (CBD), 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 (GHG) 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 (IW) Program has achieved some stress reduction impacts, particularly in the Black Sea–Danube and Lake Victoria. Because only a few International Waters projects have entered a Strategic Action Programme (SAP) implementation phase, however, it is too early to report on impacts in terms of environmental improvement. In general, the outcomes of the International Waters Program have been robust and are expected to result in stress reduction and environmental improvement impacts over time. The International Waters 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 (IW:LEARN). 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 (ODSs) in countries with economies in transition (CEITs), with more than 99 percent of the agreed phaseout having been accomplished. Moving forward, the GEF Secretariat (GEFSEC) should coordinate with the Multilateral Fund of the Montreal Protocol (MLF) Secretariat regarding the status of hydrochlorofluorocarbon (HCFC) 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 (NIPs) 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.

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.

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 (BPS2004) 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 to 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 (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.” OPS3 also found a lack of clarity regarding the links between GEF strategic directions reported at several stakeholder levels, including Implementing Agencies (IAs). 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 International Waters (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 International Waters 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 International Waters 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).

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 (M&E) tools in all focal areas is an urgent task.

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 (NCSA) 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 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.

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 (UNFCCC), the Montreal Protocol, the United Nations Convention to Combat Desertification (UNCCD), 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 COP 8 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, (NCs), and the second round provides an opportunity to identify country priorities. With respect to the adapta-

tion 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.

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.

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.

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.

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.

Scientific and Technical Advisory Panel (STAP)

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.

Monitoring and Evaluation (M&E)

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.

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 timeframes 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.

Small Grants Programme (SGP)

The “Third Independent Evaluation of the GEF Small Grants Programme” (Wells et al. 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.



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 1.

As presented in exhibit 1, 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).

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

Exhibit 1. Summary of Major Recommendations

Topics	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 in 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

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 International Waters 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)

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 NCSAs and 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)

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)

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)

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 in 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)

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)



Approach and Methodology

To support the development of findings and recommendations for OPS3, it was necessary to design a robust approach and methodology.

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.

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 the OPS3 study (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.

OPS3 Role in Results Assessment

During initial consultations with 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 instance, 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 focal area level, 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 GEF Council in the November 2004 summary meeting documentation.

- The research conducted by OPS3 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, OPS3 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 TOR1 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, 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 the following:

- 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.
- Environmental change may take decades to be perceived or measured, while GEF projects on average span four or five years.
- 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 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 while 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 reporting, 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 no mechanisms in place to support the roll-up of impacts should they be identified. In summary, OPS3 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.

Recognizing Nonquantifiable Results

A subtheme to the challenges surrounding development of a more practical results measurement framework is how to treat nonquantifiable results of GEF activities. OPS3 was asked to assess both quantitative and qualitative results. OPS3 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 focal areas (such as Biodiversity) that may assist the GEF in aggregating such outcomes in the future.

Studies point out certain outcomes that are either inherently resistant to quantification, or that pose serious difficulties to quantification. Participatory stakeholder consultations under OPS3 were a major source of evidence to support this analysis. OPS3 identified many project-level outcomes that project participants recognized as nonquantifiable yet significant, and that do not link easily to upward aggregation.

Sustainability and Catalytic Effects of the GEF

The key challenge in assessing issues relating to sustainability and catalytic effects of the GEF was gaining input from key GEF stakeholders at all levels. The OPS3 desk study process provided some input, though this was limited. Project-level reporting data do not lend themselves to facilitating this assessment since the data are not sufficiently dynamic in presentation to articulate GEF project performance relating to cross-cutting factors such as sustainability and catalytic effects of GEF activities. Other sources such as the 2004 Program Studies were more useful.

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 OPS3 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 OPS3 in opening dynamic and iterative lines of inquiry to support its analysis.

GEF Structure and Processes

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 two-part institutional framework to guide its assessment of TORs 4 and 5.

For its **investigative framework** OPS3 developed a Framework for Institutional Expectations Analysis, which provided a set of underlying performance expectations that OPS3 would expect to find in practice based on the GEF Instrument, previous guidance and assessment, 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 OPS3 drew conclusions about the form of the GEF institution to identify a theoretical framework of the key challenges faced by such institutions, and linked these theoretical challenges to specific challenges observed with the GEF institution. This framework assisted OPS3 in assessing results of its research in the context of the GEF institution's particular challenges, and communicating its conclusions on the GEF structure and processes based on those challenges.

Elements of the OPS3 Approach

The principal components of the OPS3 methodology were as follows:

- **Research agendas** for each TOR. These were developed to guide both initial fact finding during the desk study component and stakeholder consultations during the field study component.
- A **desk study** that included a review of key documents developed to coincide with OPS3, and other documentation, in preparation for the field study component.
- Extensive **participatory stakeholder consultations**. Efforts were made to consult all major stakeholders within the GEF family, to bring the full range of perspectives to bear on key areas of the TOR. Consultations were conducted on both an individual and group basis, and involved more than 600 GEF stakeholders, including country focal points and other government officials, NGOs, project managers, GEF Council members, GEF Trustee members, GEF Secretariat, OME staff, outside academic representatives, IA and EA staff, and staff from the CBD, UNFCCC, the Montreal Protocol, UNCCD, and the Stockholm Convention, as well as others. In many cases, OPS3 was able to triangulate findings based on the feedback received from different types of stakeholders. The iterative process of the stakeholder consultations assisted OPS3 in evolving an understanding of these issues, and provided OPS3 with the ability to develop dynamic lines of inquiry over the course of the study.

To develop key findings, evidence was reviewed from desk and field studies. Evidence from key studies such as the 2004 Program Studies was considered as a significant baseline; however, OPS3 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 process. OPS3 determined significance and validity by assessing each piece of evidence against specific criteria. Evidence was considered valid and significant if it met two out of the following four criteria: (1) evidence corroborated the desk study; (2) evidence was supported within a stakeholder group; (3) evidence was supported across multiple stakeholder groups; and (4) evidence was supported across multiple field visits.



Focal Area Analysis

Portfolio Analysis (TOR 1E)

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 Depletion. From 1991 through March 2005, the GEF approved US\$5.25 billion to over 160 countries to achieve global environmental benefits across the six focal areas, as shown in exhibit 2. Of this total figure, approximately US\$1.7 billion (35 percent) has funded multicountry projects.⁴

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 overall GEF funds committed 1991 through March 2005. While funding for the GEF as a whole has increased over time, the share of total GEF funds attributed to the various focal areas has remained relatively constant across the GEF periods. Exhibit 3 presents GEF funding and number of projects by region since the inception of the GEF. As shown, project sizes are not necessarily consistent across regions. For instance, while Africa has received US\$1,181.8 million, or 23 percent of the total funds, 513 projects (31 percent of the worldwide total) have been completed or approved in Africa.

Excluding global and regional projects (which accounted for US\$819 million), the GEF has funded 1,531 projects in 151 countries and regions since 1991, totaling US\$4,431.6 million. As shown by exhibit 4, particular countries have received significant shares of total funding and project numbers; indeed, the top 20 recipients of those 151 (13 percent of countries) represent 59 percent of total funding.

Biodiversity (TORs 1A and 1B)

Findings on Impacts and Outcomes

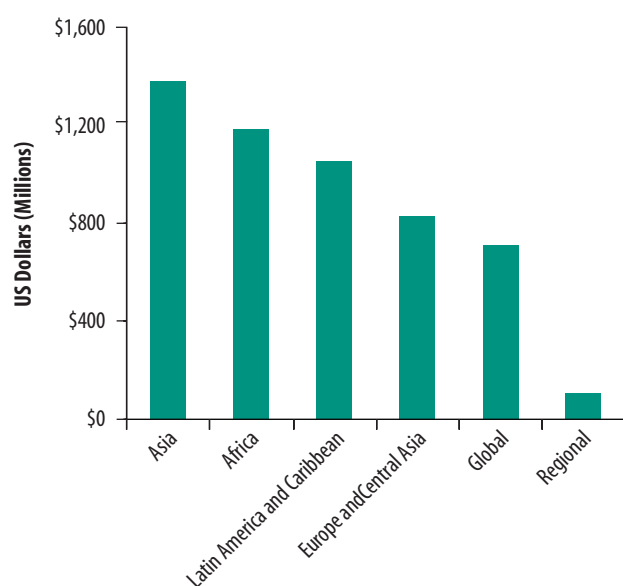
The GEF Biodiversity Program supports the implementation of the three objectives of the CBD: the conservation of biological diversity, the sustainable use of its components, and the fair and equitable sharing of benefits arising from the utilization of genetic resources. At the impact level, OPS3 believes that the program, 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 global trends in

Exhibit 2. Total GEF Funding
(1991 through March 2005)

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

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

Exhibit 3. GEF Funding and Number of
Projects by Region (1991 through
March 2005)



Source: GEF Project Management Information System, Accessed March 2005

biodiversity continue to be downwards. At the outcome level, the GEF has produced significant achievements in biodiversity conservation through protected areas and in sustainable use of biological resources. With regard to protected areas, by the end of FY2004, the GEF had supported investments in 1,426 protected areas, covering nearly 269 million hectares (GEF/R.4/7 2005), almost 17 percent of the total land area protected globally (IUCN 2003). Indeed, 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. The GEF has also far exceeded the mid-term targets set in the Third Replenishment Agreement for the Biodiversity focal area.

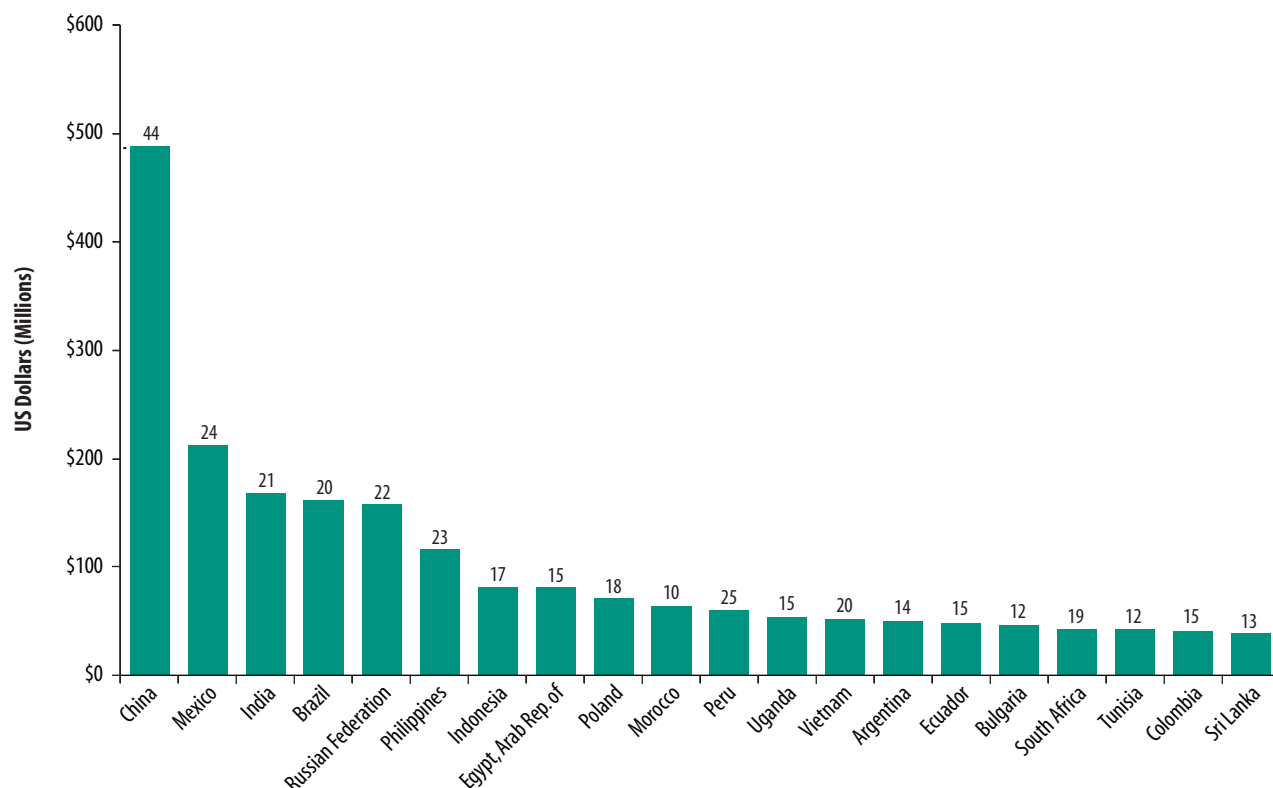
Even though the GEF was given no direct guidance on protected areas from the CBD until COP 7 (February 2004), protected areas have featured prominently in the GEF portfolio. Between FY1991 and FY2003, approximately 75 percent of the projects in the GEF biodiversity portfolio supported activities related to protected areas.⁵ These projects have resulted in the scaling-up of protected-area approaches to larger landscape levels, such as in the Meso-American Corridor; strengthened legal and policy frameworks, such as in the Brazil National Biodiversity project; the establishment of innovative financing mechanisms to support the recurrent cost of protected areas; and some successful management and planning initiatives, such as the Cape Peninsula project in South Africa, expected to set international standards in the subject. With a few exceptions, BPS2004 found that few projects reported success in implementing draft management plans. Moreover, BPS2004 recommended that "despite GEF's very significant financial and technical contribution towards expanding the world's protected areas 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" (GEF/ME/C.24/Inf.1 2004). Noting that the OPS3 team also found it impossible to aggregate to the level of impacts, OPS3 strongly endorses this recommendation.

In terms of the second objective of the CBD, the sustainable use of biological resources, OPS3 found that several projects have demonstrated that the generation of alternative income is a good alternative for local populations. One example is the wildlife ranching project in Burkina Faso. However, BPS2004 found that several projects reported activities not producing enough income, resulting in an increased demand for the targeted resource. Preparation and implementation of natural resource management plans, such as in the Jozani Chwaka Bay National Park project in Tanzania, is another important outcome of the GEF Biodiversity Program. BPS2004 recognized the opportunity described and then recommended: "To improve chances of success, the operationalization of the Addis Ababa Principles should encourage partnerships between GEF and other actors, particularly the private sector, at all levels..." OPS3 endorses this action as an important means to increasing the outcomes in the field of sustainable use.

Despite these successes in achieving outcomes related to the first two objectives of the CBD, outcomes related to the third, ABS arising from the use of genetic resources, have been more modest. BPS2004 found that few projects reported on this topic, achievements or otherwise. During its field study, OPS3 also found that the GEF has not adequately addressed this objective. BPS2004 concluded 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. The GEF Biodiversity Task Force has started to discuss the possible impacts of these negotiations.

Outcomes of the GEF Biodiversity Program have also been identified in the following areas: creating enabling environments and mainstreaming biodiversity (detailed below), invasive alien species, taxonomy, agrobiodiversity, and the SGP.

Exhibit 4. GEF Funding and Number of Projects by Country, Excluding Global and Regional Projects (1991 through March 2005)



Source: GEF Project Management Information System, Accessed March 2005

- **Enabling environment**—BPS2004 found that the majority of GEF-financed projects included components to improve the enabling environment for conservation and sustainable use of biodiversity. Some of these achievements included (1) creating and implementing national priorities or legislative action, an accomplishment that more than half of the projects reported, although some setbacks were also reported; (2) generating public awareness and improving environmental education, an accomplishment that about two-thirds of the projects reported and that OPS3 also found during field visits (for example, the Sabana-Camaguey Ecosystem project in Cuba); (3) creating partnerships that broaden the catalytic effects of the GEF, an achievement that over half of the projects reported and that OPS3 also found; (4) knowledge generation, including at the level of environmental science and practice, and knowledge sharing, an achievement that about half of the projects reported; and (5) tool and technology development, in which about 40 percent of projects also reported achievements.
- **Mainstreaming biodiversity**—The GEF designated this objective as one of its Strategic Priorities in GEF-3, and has proposed it as a GEF-4 strategic objective. During its field visits, OPS3 found instances of countries working hard to mainstream biodiversity, but the GEF has not been entirely successful in this regard. To reduce operational complications in implementing the mainstreaming Strategic Priority, BPS2004 recommended that “guidelines and clear definitions... be developed to clarify exactly what type of activities, processes, and interventions are covered under the mainstreaming concept in the GEF context.” Having found country focal points, NGOs, and IAs discussing mainstreaming in many ways and contexts, OPS3 agrees with this recommendation.

Challenges and Strategic Trade-Offs

Strategic direction and programming. OPS3 finds that the development of the Strategic Priorities for GEF-3 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 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 with which 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 issue 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. In the event that an RAF is approved by the GEF Council, it will 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 with regard to the development of biodiversity priorities. 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. GEF funding also has a particular value in countries that are not of interest 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 conservation.

Measuring results. BPS2004 found that “though more work is needed on the socioeconomic 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... 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 also 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 “rolling-up” 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.” As did 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.

Trade-offs 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 verified this through stakeholder consultations at all levels. However, biodiversity protection and restoration competes 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 Study, there are trade-offs to biodiversity conservation that impede the GEF’s capacity to achieve win-win situations. Some projects, such as the Costa Rican Ecomarkets project, have successfully managed these trade-offs.

Recommendations

In addition to the priority recommendations and recommendations on outcomes from BPS2004 that OPS3 has endorsed in the sections above, OPS3 recommends the following:

- *In the Biodiversity focal area, a balance needs to be struck between even distribution of resources from the geographical or regional standpoint and the likelihood of generating the greatest global environmental benefits. While geographic homogeneity is not essential, targeting a few hotspots would not be in keeping with the GEF’s objective for inclusivity 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 (such as poverty alleviation and alternative livelihoods) place on the generation of benefits must also be considered. In light of these issues, OPS3 recommends that these matters be considered in ongoing discussions about the implications of a potential RAF (please also see the recommendation regarding strategic project selection under an RAF scenario in the “Programming for Results—Country Level” subsection of “Major Recommendations”).*

Climate Change (TORs 1A and 1B)

Findings on GEF Results

CCPS2004 found that the performance of the GEF portfolio in reducing GHG emissions was satisfactory, and OPS3 concurs. As reported by CCPS2004, direct and indirect⁶ reductions in GHG emissions attributed to the GEF from closed, and projected emission reduction targets in active, climate change projects (1991 through April 2004) total about 1.9 billion metric tons (MT). The incremental cost effectiveness of GHG emission reductions by the GEF has also improved over time (based on GEF allocations alone). The GEF has met its mid-term performance targets as set by the Third Replenishment agreement.

The intended GHG impacts vary widely across the Climate Change Program's clusters, investment levels, country typology, and across individual projects. For instance, among active projects, the World Bank China Efficient Industrial Boilers project represents almost 40 percent of projected carbon dioxide (CO₂) reduction targets. This is not that surprising given the different scales and categories of project types that inherently have differing abilities to deliver GHG emission reduction.

Project approvals in FY2003–04 are expected to result in direct emission reductions of approximately 181 million MT and indirect reductions of about 409 million MT of carbon equivalent, 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, while OPS3 finds the GEF's impact satisfactory given its limited resources, the GEF's role is relatively minor in slowing climate change. The organization 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.

Market transformation is a long-term challenge and a dynamic process, and according to CCPS2004 and OPS3 findings it is starting to become evident in the GEF Climate Change Program. CCPS2004 found that the greatest progress has been made within the energy efficiency portfolio; during its field study, OPS3 also found achievements that substantiate this general finding, including electrical energy efficiency in Thailand. 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, as 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; OPS3 also found good examples of market transformation in renewable energy, such as a wind power project in Russia. Regarding the advancement of new energy technologies, success has been limited; projects have proven difficult to design and implement, in large part because key questions must be answered regarding trade-offs between innovation with higher risk versus mainstreaming with lower risk (see also "Challenges and Strategic Trade-Offs" in the "Catalytic Impacts" subsection of "The GEF as a Catalyst").

Challenges and Strategic Trade-Offs

Strategic direction and programming. While OPS2 concluded that the GEF would benefit from a more focused program in the Climate Change focal area, 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." OPS3 also found a lack of clarity regarding the links between GEF strategic directions reported at several stakeholder levels, including IAs. CCPS2004 recommended, and OPS3 concurs, that GEFSEC take the lead to improve overall strategic coherence by clarifying the goal of market transformation outcomes contributing to GHG reduction impacts, and how the OPs and underlying strategies augment this goal.

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. The study recommended that the GEF "improve strategic choice and resource allocation... 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." OPS3 agrees and

finds that 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. While 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.

OPS3 also 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. Additionally, while the first NCs have tended to focus only on helping countries meet their reporting obligations under the UNFCCC and have generally not resulted in projects that can be taken forward through the GEF, the second NCs represent a significant opportunity for countries to develop a national strategy that includes consideration of mitigation and adaptation elements. Indeed, OPS3 interviews with IAs suggested that a higher level of country ownership and better stakeholder communication would result from the revised approach that is being taken for the second NCs.

Measuring results. Although it has improved over the past few years, the quality of data in the GEF Climate Change portfolio is still relatively poor. CCPS2004 recommended that "the GEFSEC... 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." OPS3 finds that discussions are already 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 quantification is more difficult. Additionally, the approach developed by the GEFSEC, OME, and IAs and EAs to estimate GHG emissions avoided through GEF projects should be published as a guide for project proponents as soon as possible. OPS3 also supports the development of better methods to measure market development results proposed in GEF-4 programming.

Lesson learning and replication. CCPS2004 concluded that "learning within the GEF family has been neither systematic nor system-wide, nor has it had strong outreach to outside expertise." While 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 between projects within the same clusters and within and between countries. As did 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. As a positive sign of progress, discussions of a pilot knowledge management initiative in the climate change program have been ongoing among the GEF entities.

Adaptation. Country focal points and NGOs in several regional workshops, particularly the Pacific region, suggested to OPS3 that the GEF must fund activities in the area of adaptation to climate change since this goal is in the guidance from UNFCCC and the mitigation of GHG emissions, owing to their small volume, is not a high national priority. Stakeholders in these regions also noted, however, that adaptation will be a complicated new program area since adaptation issues are typically local, and 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 its Strategic Priority. The GEF is establishing pilot or demonstration projects to show how adaptation planning and assessment can be translated into projects that provide benefits and that may be integrated into national policy and sustainable development planning.

Carbon financing and its relationship with the GEF.

CCPS2004 found that it would be "useful to clarify GEF involvement in carbon finance programs." OPS3 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 and countries (such as the European Union, 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, some projects that have relied on the GEF may be able to tap carbon financing, which may offer more competitive terms and more easily leverage private sector engagement.

Indeed, the GEF portfolio is beginning to see competition for funding arising from the Clean Development Mechanism (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. 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. The CDM pipeline does not feature many energy efficiency projects because of the difficulty of proving additionality; however, 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, COP 9 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 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. As the technology evolves, it may be appropriate for the GEF to undertake pilot carbon capture and sequestration 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.

Recommendations

In addition to endorsing the CCPS2004 recommendations on strategic coherence, strategic direction, and lesson learning, OPS3 recommends the following based on the discussions above:

- *Exploit fully the unique opportunity provided by the second round of Non-Annex I NCs to develop shared agreements about priority policies, programs, and projects. Specifically, the GEF could use the opportunity to develop sectoral strategies for those countries with existing or anticipated large and diverse project portfolios.*

- *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 a more strategic response to adaptation following the pilot program, given the cost paradigms each funding source requires.*
- *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.*

International Waters (TORs 1A and 1B)

Findings on the GEF's Contribution to the Health of International Waters

As the GEFSEC noted in document GEF/C.24/3 submitted to the GEF Council in November 2004, the GEF International Waters Program was more than successful in achieving the mid-term target set by the Third GEF Replenishment; indeed, in FY2003 and FY2004, projects were approved in six new transboundary water bodies 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

In terms of environmental and socioeconomic status impacts, the International Waters focal area is making progress by determining relevant indicators and setting goals for improved water quality. However, only a few projects in the International Waters portfolio have entered a SAP implementation phase, and while these projects are making valuable contributions to stress reduction that are expected to eventually result in environmental status impacts, it is too early in the lifetime of these projects to report on such impacts.



With regard to stress reduction impacts, IWPS2004 reported being reasonably satisfied that monitoring of these impacts was happening in most projects. Stress reduction that will help prevent future degradation of vital systems is occurring in some water bodies, such as the Black Sea–Danube⁷ and Lake Victoria. In other water bodies, 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 program has achieved significant outcomes. There are numerous examples of International Waters focal area outcomes that in time will result in stress reduction impacts. While there is no global convention for which the GEF International Waters focal area is the financial mechanism, the International Waters Program has itself supported the negotiation and implementation of a number of global and 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 water body. Often countries resist coming to the table, but the GEF International Waters Program can often be credited with overcoming this

resistance. The International Waters focal area also serves as an example for other focal areas of the benefits of systematic identification and incorporation of lessons learned; 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 Transboundary Diagnostic Analysis (TDA)/SAP course.

Challenges remain, however, to the successful achievement of outcomes. In particular, IWPS2004 reported a need for better coherence between components of Strategic Partnerships and better cooperation between IAs at the operational level. IWPS2004 also found that the TDA/SAP can be an effective tool if the right elements are incorporated; however, not all TDAs and SAPs examined by IWPS2004 included these elements, limiting their effectiveness. Moreover, OPS3 found that greater attention is needed to ensure adequate IA management and supervision during project implementation.

Challenges and Strategic Trade-Offs

Clarification of programs, processes, and practices. The International Waters Program Study undertaken in 2000 noted that “much more could be done to clarify the role of the various Operational Programs,” including OP8, OP9, OP10, and OP12. In reviewing these OPs, IWPS2004 found little evidence of progress to clarify their definitions, 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.” OPS3 endorses this recommendation, noting that such a document also could be useful in the other focal areas.

M&E and measurement of results. IWPS2000 recommended that “a streamlined oversight and tracking methodology... be prepared and implemented.” While the IWPS2004 identified some areas of progress, including attempts at indicators and improved project identification, current deficiencies in the M&E system were identified and attributed largely to the fact that M&E components have not integrated well 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.” OPS3 endorses this recommendation and finds that this system should provide standard formats for reporting on stress reduction and environmental and socioeconomic indicators.⁸ However, OPS3 recommends that monitoring efforts not be excessively rigorous or cost prohibitive, so that they do not detract resources from the GEF’s primary objective, which is to catalyze action on the ground.

Coordination and management. 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). To that end, IWPS2004 recommended that a regional-level coordination mechanism for International Waters projects be established. The GEF management response pointed out actions that are already being taken to improve regional coordination and that regional coordination has also been included as a feature in Strategic Partnerships. IWPS2004 also recommended that the GEF IWTF be redefined in a way that would (1) enhance its role in the definition of technical guidelines and policies, and (2) ensure the optimum

use of comparative advantages of the IAs within each intervention and also examine the selection of EAs in accordance with agreed criteria. The GEF management response, while supporting the recommendation, suggested that additional corporate resources could be required to implement the recommendation. OPS3 supports these recommendations to improve coordination within the International Waters Program. Additionally, OPS3 observed the importance of IA management in fostering coordination on the ground, as well as yielding optimal project results. With this in mind, OPS3 recommends that IAs give greater attention to ensuring adequate project management and supervision.

Recommendations

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

- *The GEF International Waters Program 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. Focus should also be given to ensure adequate project management and supervision during implementation.*

Ozone Layer Depletion (TORs 1A and 1B)

Findings

Countries with economies in transition (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 Depletion focal area—to eliminate the consumption (that is, production, exports, and imports) and emissions of ODS in CEITs. Consumption of Annex A and B substances⁹ in CEITs decreased from about 296,000 ozone depleting potential (ODP) MT in the late 1980s to less than 350 ODP MT by 2003—a reduction of more than 99.8 percent. (At the time of the publication of the 2000 Ozone Study, consumption was estimated at 14,600 ODP MT.)

Total appraised direct ODS phaseout¹⁰ 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. For individual countries, assistance from GEF projects has accounted for between 20 and 60 percent of the total ODS consumption phased out in the Country Program base years. On average, 28 percent of total ODS consumption phased out is associated with GEF projects.¹¹ Remaining consumption is being phased out through market forces, legislative measures, or the implementation of economic instruments by agreement.

While all countries with the exception of Kazakhstan have met the 70 percent reduction target for methyl bromide for 2003, additional efforts will be needed to completely phase out the consumption of methyl bromide. To aid in these efforts, the GEF Council named methyl bromide reduction as one of its Strategic Priorities in its FY2005–07 Business Plan; in addition, a GEF-4 Strategic Objective, which addresses the residual use of methyl bromide as well as HCFCs and institutional strengthening activities, has been proposed. In light of the significant activities still to be considered and agreed upon with respect to ozone depletion, and in light of the recent special report on ozone and climate prepared by the joint IPCC/TEAP scientific panel (UNEP n.d.), which indicates the deleterious impact that climate change has on the mitigation of ozone loss, OPS3 supports the continued attention that the GEF-4 Strategic Priority on ozone implies.

Challenges and Strategic Trade-Offs

There are few remaining issues in the Ozone Depletion focal area to be addressed, in large part because of (1) the clear relationship between funded activities and ODS phaseout, (2) the maturity of the focal area, and (3) the strength of the agreements made among Parties to the Montreal Protocol. However, several issues may affect the achievement of future success in this focal area and/or have implications for success in other focal areas, which are summarized below.

HCFC phaseout. Continuing dialogue must be monitored with respect to convention guidance on HCFC phaseout; the MLF stipulates that funding will not be provided for a second

round of replacements. Moreover, when (or if) HCFC phase-out strategies are developed, dialogue will be needed to establish strategies to promote the implementation of the most climate-friendly alternatives (that is, limit the use of HFCs, to the extent possible). In addition, efforts are needed to ensure that the Approved Methodology AM001 (Incineration of HFC-23 Waste Streams) established under the Kyoto Protocol's CDM does not lead to perverse incentives related to the phaseout of HCFCs (by increasing HCFC-22 consumption, as well as the eligible incremental costs that will need to be supported by the GEF and Multilateral Fund).

Capacity sharing. Country strategies, which phased out ODS and resulted in institutional strengthening, have enhanced country commitments; however, because incremental operating costs are not covered in GEF funding, capacity in CEITs may be short-lived, which may in turn have implications for sustainability or the sharing of capacity across chemicals management treaties.

Clear results chain. Lessons from the Ozone Depletion focal area 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.

Recommendations

- *The GEFSEC should coordinate with the MLF Secretariat regarding methyl bromide and HCFC phaseout issues. The partners should ensure that funding eligibility requirements for HCFC users are kept current and appropriate, and that the most climate-friendly options are implemented to replace HCFCs. In addition, the GEFSEC should coordinate with the CDM management bodies and the MLF Secretariat to ensure that Method AM0001 does not undermine efforts pursued under the Montreal Protocol. For the methyl bromide phaseout, the GEFSEC should coordinate with the MLF Secretariat on project funding eligibility issues and phaseout opportunities.*
- *IAs should prevent backsliding by ensuring that adequate customs training and border enforcement activities are conducted to thwart illegal trade of ODS.*

Land Degradation (TOR 1C)

Findings on Meeting Global Priorities

Because the United Nations Convention to Combat Desertification (UNCCD) has been agreed upon by the international community, the priorities outlined in the Convention are recognized as global priorities. These priorities are addressed by the GEF in its OP for Land Degradation (OP15), the Land Degradation Business Plan, and project documents. As shown in exhibit 5, OPS3 finds that the GEF has generally addressed the UNCCD global priorities—with two exceptions: (1) UNCCD has a priority for combating desertification in Africa, whereas the GEF Land Degradation focal area strives for geographic balance; and (2) UNCCD focuses on combating desertification, but GEF projects tackle all causes of land degradation, including those occurring in humid areas.

Challenges and Strategic Trade-Offs

To respond to global priorities, the GEF Land Degradation Program must continue to strike a balance among its Strategic Priorities, project approaches (that is, “traditional” versus cross-cutting sectoral and programmatic approaches), and land use systems (agriculture, rangeland, and livestock and forestry). OPS3 concurs with the findings of the Scope and Co-

herence report (GEF/C.24/6/Rev.2 2005) that the following four challenges in the Land Degradation focal area will need to be addressed in GEF-4:

- Defining criteria, programming and project performance indicators, and a science-based priority-setting process that will ensure the selection, monitoring, and evaluation of viable initiatives with desired impact.
- Fostering systematic learning through a well-tailored knowledge management program.
- Finding a mutually beneficial balance of trade-offs 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 believes that the lack of baseline 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 others). The GEF is well aware of these challenges, and is making strides in addressing them in its planning and development of strategic objectives for GEF-4.

Exhibit 5. Comparison among UNCCD, OP15, and the Land Degradation Business Plan Priorities

	UNCCD Priorities	OP15 Priorities	LD Business Plan Priorities
Combat desertification and sustainable land management	✓✓	✓✓	✓✓
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 Business Plan; ✓ = Priority addressed by documents; ✓✓ = Priority emphasized by documents.

Recommendations

- *As the GEF moves forward in its programming for GEF-4, there should be a clear evolution to identifying synergies among the focal areas and to programming in the broader context of integrated natural resource management.*
- *A system for prioritization of GEF funding under OP15 (sustainable land management) should be established.*
- *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.*

POPs (TOR 1C)

Findings

Because the Stockholm Convention has been agreed upon by the international community, the priorities outlined in the Convention are recognized as global priorities. The Convention's global priorities are addressed by the GEF in its OP for POPs (OP14), the POPs Business Plan, and project documents. As shown in exhibit 6, OPS3 finds that all 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. In addition, there are several differences in the emphases placed on priorities in the Convention versus those articulated in 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.

Thus far, the initial focus of the GEF within the POPs focal area 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.

Challenges and Strategic Trade-Offs

Responsiveness. The GEF is responding to convention priorities through its POPs strategy, but it is essential that the GEF continue to monitor responsiveness and react to guidance from the first COP in May 2005, as appropriate. Based on such guidance, the GEF should work with the Stockholm Convention Secretariat to finalize OP14. Moreover, because the NIPs

Exhibit 6. Comparison between Stockholm Convention Priorities and OP14 and POPs Business Plan Priorities

	Convention Priorities	OP14 and POPs Business Plan (GEF/C.22/6 2003) Priorities
Protect human health and the environment	✓	✓
Impose production limits	✓✓	✓
Develop reduction strategies	✓	✓✓
Monitor releases	✓	✓
Develop and implement action and implementation plans	✓	✓✓
Identify new POPs	✓	•
Raise awareness	✓✓	✓✓
Achieve multi-focal area benefits	•	✓✓

• = Not covered under the scope of the Convention, OP14, or Business Plan; ✓ = Priority addressed by documents; ✓✓ = Priority emphasized by documents.

have been developed in parallel with convention guidance and the guidelines for Best Available Technologies and Best Environmental Practices, it is important that this guidance feed into the implementation of the NIPs and the finalization of OP14. Also, country focal points expressed concern that the quality of technical assistance provided by IAs and EAs in the POPs focal area varies widely. Demonstration projects have begun under OP14 without clear instruction from the Convention on how to calculate incremental costs, leading to some difficulties in terms of identifying and calculating incrementality for certain projects.

Determining baselines and a clear results chain. Adequate indicators for measuring the global environmental benefits associated with the elimination of POPs are not available; without such indicators and the development of baseline data, it may be difficult to raise the public and political profile of POPs issues globally, or fully understand the impacts of GEF activities on the global environment.

Synergies. An “untapped” opportunity exists for incorporating more 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.

Recommendations

- *Regular dialogue between the GEFSEC and the Convention COP should be maintained to monitor differences between the Convention and GEF program implementation of the POPs phaseout, identify priorities to be addressed in future GEF projects, and address any issues requiring clarification (such as the calculation of incremental costs).*
- *GEF should begin dialogue and engagement with the scientific community about how to cost-effectively develop baseline information on POPs concentration in the environment and in human populations.*

- *The GEF IAs should continue exploring options to reduce duplicative and competing initiatives for chemicals management, as well as to find opportunities to leverage infrastructure and capacity in chemicals management from within other chemicals management protocols and initiatives. Cross-focal area synergies involving POPs should also be pursued.*

Responsiveness of the GEF to Conventions (TOR 4C)

Biodiversity (CBD)

OPS3 finds—as did OPS2, the Second CBD Review of the GEF,¹² and the 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. The GEF has also funded activities in almost all of the areas of guidance provided by the COP. In particular, as the 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. The 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 CBD priority on access and benefit sharing. Moreover, although the GEF has been responsive to the CBD by assisting countries in preparing their national reports (as also noted by OPS2), IAs have reported to OPS3 that, in some countries, the reports to the CBD can be isolated, and therefore neither mainstreamed nor influential.

With respect to the more general challenges that the GEF must address, the general lack of prioritization of guidance from the COP remains a challenge, according to BPS2004. Additional challenges identified by the BPS2004 include “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.” The BPS2004 recommended “more concerted efforts to

improve the dissemination of information on how the GEF responds to guidance,” noting that the GEF Country Dialogue Workshops could provide a good venue for these efforts. OPS3 supports this recommendation, noting that the revised NDI, which replaces the Country Dialogue Workshops (CDW), 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.

Climate Change (UNFCCC)

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. 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, aided by joint activities such as retreats.

The GEF has been particularly responsive in quickly mobilizing and implementing special trust funds, such as the Least Developed Countries (LDC) Fund and the Special Climate Change Fund (SCCF), as mandated by the COP. Indeed, under the LDC Fund to date, projects for the preparation of National Adaptation Programmes of Action (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. The GEFSEC has also prepared a proposal (GEF/C.24/Inf.7 2004) on the process for implementing NAPAs in response to COP 9 guidance that the GEF support the implementation of NAPAs as soon as possible after their completion. Also at COP 9, Parties agreed on guidance for the operation of the SCCF; the GEFSEC, in consultation with the IAs and UNFCCC Secretariat, prepared a programming paper describing how the SCCF will fund activities in the program areas of adaptation and technology transfer. This document was endorsed by the GEF Council at the November 2004 meeting.

With regard to NCs, the GEF has been responsive by supporting 3 of 40 NCs from Annex I countries, and 105 of 115 NCs from NAI countries. UNFCCC representatives reported to OPS3 that 3 countries have also submitted their second NCs, and that about 65 countries have reported that they have started the process of preparation of their second NC. Several weaknesses, however, have been identified with respect to the first round of NCs that should be remedied in the second round; please see the “Climate Change” subsection in the “Focal Area Analysis” section for OPS3’s assessment of the NCs and recommendations for the second round.

With respect to the adaptation priority of the Convention, the GEF has begun to respond. In November 2003, a Strategic Priority piloting an operational approach to adaptation was approved by the GEF Council, along with an associated US\$50 million in funding. Adaptation is also addressed under the LDC Fund and the SCCF, and is intended to be addressed under the Adaptation Fund, although there are no clear criteria yet for how this fund will be operationalized. Indeed, the GEF still has much to sort out in terms of its funding of adaptation activities—for instance, how it will mainstream adaptation into the other focal areas of the GEF portfolio. These issues are addressed further in the “Climate Change” subsection, as noted in the previous paragraph.

Ozone Layer Depletion (Montreal Protocol)

As discussed in the subsection on Ozone Layer Depletion above, 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 ODS consumption (that is, production, exports, and imports) and emissions.

In regard to 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, related to providing funding for South Africa to phase out methyl bromide. The GEF was fully responsive and agreed to provide the requested funding for South Africa.



Achieving and Sustaining Global Environmental Benefits

Global environmental benefits are defined in a 1996 GEF policy paper as those benefits obtained “when- ever a global environmental objective is met,” which includes the achievement of any of the conventions’ environmental objectives (GEF/C.7/Inf.5. 1996). The policy paper further explains that a “global environmental benefit” is distinct from the achievement of development or local environmental benefits.

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 or have a well-understood results chain (for instance, projects in the Ozone Depletion focal area), 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 shutdown of CFC-producing facilities, thereby eliminating ODS supply and subsequent emissions, and resulting in quantifiable global environmental benefits.

However, in the 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 only be perceived and measured over long time-frames (on the order of decades). As such, achieving global environmental benefits necessarily requires that the outcomes be sustainable. For example, a biodiversity project may establish an effectively managed protected area as an outcome, but the sustainability of that protected area is needed in order for the project to result in reduced biodiversity loss.

Whether global environmental benefits can transpire from a project in the short, medium, or long term, they will only be achieved if the right set of conditions is in place on that particular time scale. Sustainability is the continuation of those conditions to allow the continuation of benefits. Specifically, in the context of the GEF, OPS3 defines sustainability to be the continuation of achieved benefits after project completion and, in particular, the persistence of conditions—sociopolitical, economic, and environmental—brought about from the

project. The focus on *conditions* is important in underscoring the need to look beyond impacts when assessing sustainability, and to explicitly consider the context in which project benefits and activities will be able (or not able) to endure. In practical terms, this requires a focus on the assumptions and risks about initial conditions, and careful consideration of what the end goal should look like, and how to get there.

Given that the achievement and sustainability of global environmental benefits are closely related, if not one and the same, OPS3 treats the discussion on factors for the achievement and sustainability of global environmental benefits jointly in this report. The overlapping nature of these concepts was further demonstrated by 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.

Findings (TORs 1D, 2A, 2B, and 2C)

OPS3 found encouraging evidence that GEF is producing important, lasting global environmental benefits on the ground. OPS3 can point to a number of completed projects that have achieved sustainability, and a number of ongoing projects that appear well on course to do so. Other examples of projects that have not delivered, or are not likely to deliver, sustainability have also been identified. Obtaining an accurate sense of the extent of sustainability beyond such pockets of evidence is difficult given the lack of data on actual or likely sustained benefits from GEF projects.

Based on the desk and field reviews, the OPS3 team compiled a list of key factors that influence the achievement and sustainability of projects. The team found that, at the most fundamental level, two factors are key to all GEF projects and programs, regardless of focal area or project type:

- The “will”—political will (at the national government level) and local will (at local government and community levels); and

- The “way”—viable means and tools to achieve and sustain environmental benefits, including resource factors, design factors, and management factors.

“The will” is the *sine qua non*, the most basic requirement without which GEF benefits cannot be achieved or sustained. Political will among national governments can be demonstrated and garnered in a number of ways. It is evident in the actions and decisions of political leaders that demonstrate country ownership (at the national government level) and country drivenness. This can be manifested through national laws and policies (including economic development plans) that are aligned with GEF project goals, and institutional or financial commitments to projects. Environmental mainstreaming, awareness raising, and capacity building at the national level can help build political will among government decision makers.

Local will—including that of local governments, NGOs, the private sector, and civil society—is also critical to the achievement and sustainability of all projects and programs, and especially for those that are community based or require human behavior changes to achieve desired environmental impacts (as is common in the Biodiversity and Land Degradation focal areas). To this end, outreach and awareness raising, stakeholder participation, and the generation of local benefits are critical. In building local will, particular attention should be paid to vulnerable groups such as indigenous peoples, women, and children.

OPS3 conceptualizes “the way” to achieve and sustain benefits as consisting broadly of three components, which do not apply evenly to all projects: (1) resource factors, (2) design factors, and (3) management factors. Resource factors are assets that must exist during a project’s implementation and endure once GEF involvement comes to an end: financing, strong institutions (institutional capacity), and capable people on the ground (human capacity). Design factors include sound scientific, technical, and economic bases; proper identification and targeting of root causes; realistic goals; appropriate project scope and scale; mitigation of external risks, and M&E. Management factors are adequate project management (including competence, technical know-how, and oversight) and the use of adaptive management approaches to react to new information or changes in situations on the ground.

Challenges and Strategic Trade-Offs

Several strategic tensions are associated with both “the will” and “the way” for achieving and sustaining benefits, as well as with the GEF’s management information systems for tackling successes in these areas, as described below.

Ensuring the “Will”

National versus global priorities—Global environmental priorities, as advanced by the GEF, may not be consistent with country priorities, making it harder to shore up political will.

Broad country focus versus prioritizing political will—The GEF’s focus should be placed on countries where political will exists. In countries where it is not sufficient, efforts should be spent on building political will, not on actual projects.

Participation of vulnerable groups in policy versus practice—Despite GEF guidelines on marginalized groups and stakeholder participation, greater attention is needed to address the concerns and rights of indigenous peoples, and to more strongly consider gender issues in project design and implementation (particularly in rural, community-based projects).

Ensuring the “Way”

Resource factors: short- versus long-term capacity needs—Often, the opportunity to increase the likelihood of achieving and sustaining global environmental benefits by building in-country capacity is forgone in favor of international consultants who can get the job done faster.

Design factors: environmental versus development objectives—“Win-win” gains in both development and global environmental goods are rarely possible, and project designs must recognize this and address it accordingly.

Management factors: flexibility versus accountability—Adaptive management is difficult to work into the complex GEF system, which must be somewhat rigid to ensure accountability.

Improving Information Management

Results versus conditions—Assessing sustainability requires a dedicated focus to monitoring and measuring conditions, not simply results.

Ex post project evaluations versus additional costs—Accurately determining the extent of benefit sustainability requires systematic ex post monitoring and data tracking. These activities will require additional resources.

Recommendations

- *The GEF should establish a permanent “Sustainability Team” within the OME to develop and operationalize sustainability indicators; operationalize the reporting and collection of project-level information on likely and actual sustainability achieved, so that data can be tracked, aggregated, and assessed across the GEF portfolio; and conduct systematic ex post monitoring.*
- *Continued emphasis on activities designed to mainstream the environment at the national level and to strengthen focal points is needed to enhance political will. To promote country ownership and drivenness, the GEF should move toward a stronger country program focus to plan the development of clear country strategies and priorities for GEF funding that is linked through dialogue with public and private stakeholders in multiple ministries and sectors. Country programs should consider the importance of using and further developing local capacity, to increase local will and build in sustainability. (See “Recommendations” in the “National Priorities of Recipient Countries” subsection of “The GEF as a Catalyst” for more information.)*
- *The GEF should provide greater assistance in the procurement of cofinancing and postproject financing (for example, a clearinghouse of information on potential donors).*



The GEF as a Catalyst

The GEF attempts to create catalytic effects by using its limited funds to produce faster or more global environmental benefits than it could produce on its own. The GEF can create catalytic impacts by increasing resources, fostering conditions, or encouraging processes that lead to the faster or greater achievement of global environmental benefits, as shown in exhibit 7.

Catalytic Impacts: Extent and Factors (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 environmental issues into partner institutions. TOR 3B asks about the key factors that lead to catalytic impacts and what issues need to be addressed to improve catalytic impacts.

Findings

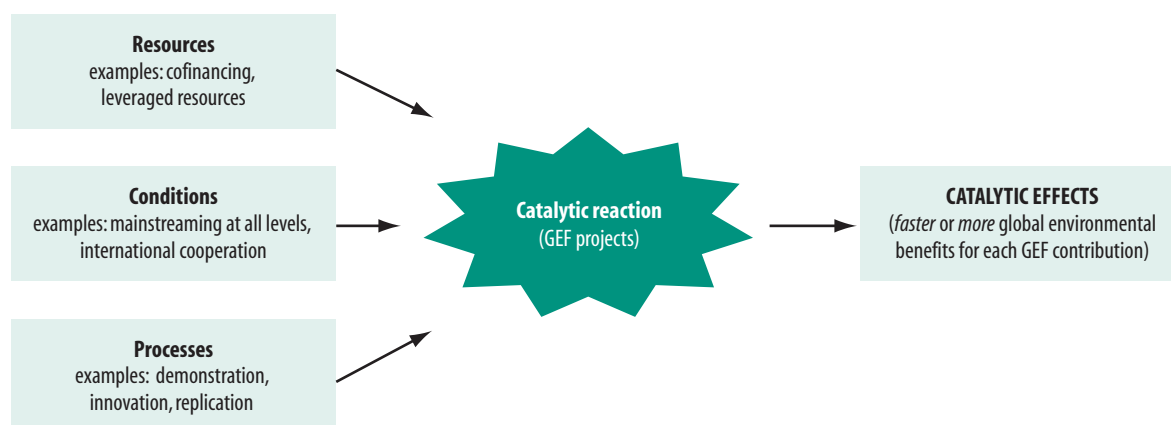
The main findings related to TORs 3A and 3B are presented in exhibit 8.

Challenges and Strategic Trade-Offs

Financial versus nonfinancial mechanisms for catalytic effects. Dialogue may be warranted to determine whether the GEF's across-the-board focus on financial modes for achieving catalytic impacts is appropriate, or whether other modes for catalysis should be given equal weight in the project criteria equation, or at least greater weight than is currently attributed.

GEF as "leverager" or "leveragee." Some GEF funds are used to augment other funds already committed to projects, which would go forward with or without GEF contributions; GEF's limited resources may produce greater catalytic effects if they are used for projects that would not get implemented without the GEF, or may be more driven by the GEF mission.

Exhibit 7. GEF Mechanisms for Producing Catalytic Effects



Source: Authors.

Operationalizing mandate for the private sector. The development of a GEF strategy that effectively engages the private sector will require difficult decisions about the extent to which the GEF is prepared to reach out to industry and reconcile the differences in modes, styles, and incentives for doing business.

Innovation versus risk avoidance. Innovation, which is associated with risk, is actively promoted by the GEF, yet project criteria and cofinancers aim to minimize risk and ensure project results. One 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. Proper incentives and guidelines are needed to promote the pursuit of higher-risk opportunities and foster greater innovation in order to reconcile these competing bottom lines.

Information management and knowledge sharing. GEF information systems do not adequately track indicators for catalytic effects, and no GEF-wide knowledge-sharing system is in place to impart information and foster replication into appropriate sectors or geographic areas. Developing and implementing such information management and knowledge-sharing systems will require the dedication of additional GEF

resources. (See the subsection “The Information Management Challenge for the GEF” of “GEF Procedures” for more information on general challenges associated with information management within the GEF.)

Recommendations

- *Systematically track proxies for catalytic effects. The GEF Secretariat, in collaboration with the IAs and EAs, should develop operational definitions and indicators for the mechanisms of catalytic effects (for example, cofinancing, leveraged resources, replication, and mainstreaming) and an information management system to collect and track these data so that progress can be assessed.*
- *Promote catalytic effects through systematizing innovation, demonstration, and replication. The GEF Secretariat, in collaboration with the IAs and EAs, should 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 to strategize about how and where to promote their replication. Workshop proceedings should be widely disseminated throughout the GEF network and, to the extent possible, through in-country networks.*

Exhibit 8. Main Findings of TOR 3A and 3B

Leveraging	Innovation, demonstration, and replication	International cooperation	Mainstreaming
Extent			
<p>World Bank and UNDP cofinancing ratios increasing over time.</p> <p>World Bank is responsible for lion's share of planned cofinancing, which is expected given its comparative advantage relative to UN agencies in macroeconomic and private sector strategies, and its financial leverage.</p> <p>A comprehensive assessment of actual cofinancing is not possible given that such data are not tracked, and often not adequately reported in terminal evaluations.</p> <p>GEF projects have leveraged much nonfinancial support, including technical expertise, management capacity, equipment and technology, and other in-kind contributions from NGO, academic, and industry communities.</p> <p>More opportunity to leverage private sector. Visibility of GEF in this sector is low. Complex GEF modalities serve as a barrier.</p>	<p>Many GEF projects have replication as an objective or activity. For example, replication is needed to transform markets in the Climate Change focal area, and to move conservation into production landscapes and sectors in the Biodiversity focal area.</p> <p>Evidence suggests that the GEF is spurring innovation, demonstration, and replication; however, the actual extent to which this is occurring cannot be determined given the lack of data on this topic. Moreover, an operational definition and indicators for replication do not exist across all focal areas and project types within focal areas.</p>	<p>GEF's regional and global projects are helping to foster international cooperation on environmental issues.</p> <p>The OPS3 regional workshops in themselves demonstrated an important function of the GEF in catalyzing international cooperation, as they created a platform for enhanced organization, collaboration, networking, and learning about the GEF within regions.</p> <p>The GEF has been critical in advancing new multicountry agreements for the management of shared water bodies. However, these agreements are often weak, with the related institutions limited to advisory functions.</p>	<p>No GEF-wide system to measure and track extent of mainstreaming throughout GEF portfolio, although a tracking tool has been developed in the Biodiversity focal area under Strategic Priority 2.</p> <p>Since OPS2, efforts undertaken to more directly target mainstreaming (for example, NDI). Some Climate Change and Biodiversity EAs are credited with increasing national government awareness and understanding of environmental issues.</p> <p>IAs have made efforts to mainstream global environmental issues into their operational programs, but level of GEF influence on IAs and projects may vary based on significance of GEF's financial contributions to the particular agency or project. Partners providing large sums of financing relative to the GEF must ensure projects are aligned with GEF's mission.</p>
Factors			
<p>Higher cofinancing does not necessarily mean greater catalytic effect; GEF may have less influence over projects in which its funds account for a small proportion of overall budget. Of particular concern is GEF financing used in World Bank projects to augment funds already committed.</p> <p>Focal points and NGOs indicated they are less willing or able to commit to GEF projects given the time lag between project design and approval, which is longer than their own budget cycles.</p> <p>Cofinancing requirements can cause project delay or prevent project approval, especially for LDCs and SIDS.</p> <p>To enhance private sector involvement, GEF modalities must fit needs and realities of the business world.</p>	<p>Dissemination of information about proven innovations and successful demonstrations that can be replicated in other appropriate locales is needed to promote replication. Currently, no cohesive, GEF-wide system is in place for such knowledge sharing.</p> <p>Inclusion of replication strategies in project design and implementation can promote replication, although often overlooked in GEF projects. Focal area task forces are to refine and adapt project review criteria for replication to each focal area and project type, which may lead to improvements.</p> <p>Anecdotal evidence suggests that SGP projects are more replicable owing to their low cost. More data on replication are needed to determine whether this is true.</p>	<p>Multicountry projects must be designed with the needs and realities of individual countries in mind. To maximize opportunities for genuine cooperation and information exchange, greater collaboration is needed both within and between countries. Trust and confidence must also be built among stakeholders of multicountry projects for the cooperation to become self-sustaining.</p> <p>In the International Waters focal area, the TDA/SAP process facilitates long-term involvement of multiple countries at national and subnational government levels. Strong multicountry institutions are also important factors.</p>	<p>To integrate environmental considerations into decision making at all levels, strong leadership and dialogue at all levels are needed. Knowledge sharing and capacity building are needed to build political will.</p>



- *Expedite development of a private sector strategy. The GEF Secretariat, in coordination with the IAs and EAs, should work directly with members of the private sector to identify appropriate means and modalities to more effectively involve the private sector, and develop a strategy for outreach and risk sharing. Such means and modalities should be tried through implementation of a private sector pilot program, which should be funded as a special initiative.*
- *Broaden 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, to benefit LDCs and SIDS. Such changes would require that a task force be established to identify appropriate indicators and requirements for nonfinancial mechanisms for catalysis.*
- *Clarify acceptable use of GEF funds to maximize leveraging. The GEF Council should develop a policy paper on the proper use of GEF funds as they relate to the leveraging of financing and other resources. This policy should also aim to ensure that cofinancing is targeted for GEF projects and not vice versa.*
- *Conduct further analysis into catalytic mechanisms. Pending enhanced data availability, the GEF Secretariat should conduct thematic reviews to evaluate (1) whether greater cofinancing contributions are delivered when commitments are made once projects are under way instead of prior to their approval; (2) the extent to which different types of leveraging have produced catalytic effects; and (3) the influence of project (funding) size on replication and sustainability. The GEF can thus assess whether SGP projects are more conducive to*

National Priorities of Recipient Countries (TOR 4E)

Findings

The OPS3 field study found that, in some countries, GEF projects are responding very well to national priorities. For example, the GEF has prompted the setting of national environmental priorities that fall within GEF focal areas in some countries, and IAs have been very responsive to country focal points. 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. In addition, the GEF NDI,¹³ the GEF NCSA, UNDP's Country Programme Action Plan (CPAP), and the World Bank's Country Assistance Strategy (CAS)¹⁴ have played a positive role in helping to create a cohesive framework by which to strategically plan and pursue GEF (and other) environmental projects.

However, there is much room for improvement. In the majority of site visits conducted by OPS3, country focal points and other government representatives raised concern over the responsiveness of IAs, their influence over project proposals submitted to the GEF Council, and their conflicting motivations to serve the needs of countries versus the needs to develop projects that are approvable and expand levels of business. Moreover, weak links in the chain can occur at the country level if focal points or the environmental ministries in which they are housed are weak or ineffective, if focal point project selection is based on motivations other than national priorities, if national priorities do not reflect state or local priorities, if government corruption is high, or if countries lack a stable central government. These various dynamics may often lead to the focal point approval of GEF projects because they are good funding opportunities, even though they may not be at the top of a country's priorities. Finally, some country focal points and NGOs—particularly those in SIDS and LDCs—noted that GEF has not been responsive to their country priorities, which, by necessity, place poverty elimination at the top.

OPS2 supported a long-term programmatic approach under which all GEF projects in a country are coordinated and

developed with a long-term national strategy. According to OPS2, and agreed by OPS3, such a country program approach should be pursued jointly by all key GEF partners, together with the national operational focal point and other key in-country stakeholders, coordinated by the GEFSEC. To date, the lack of portfolio planning and coordination at the country level has produced results that may not always be optimized or achieved in the most cost-effective manner; for example, inconsistent focus within countries and somewhat duplicative projects reduce the effectiveness of GEF projects. In the event that an RAF is approved, the GEF will likely have to systematically allocate resources among countries. In this context, for countries with robust GEF portfolios, developing and managing country strategic programs—within existing structures—could optimize results with the resources allocated to each country.

Challenges and Strategic Trade-Offs

National versus global priorities. The GEF's mandate to foster global environmental benefits may clash with its mandate to fund projects that are country driven and based on national priorities, since countries act in their sovereign interest—not in the interest of the global environment, *per se*.

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.

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 is a mainstay of ensuring alignment with national priorities. While 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.

Smaller projects. Continue promoting smaller projects (in terms of funding) that fit the absorptive capacities of LDCs and SIDS (for instance, by requiring less reporting and administrative burdens). The introduction of the pilot program for

the financing of smaller MSPs (up to US\$250,000) is a positive step in this direction.

Recommendations

- *Continue efforts to link poverty alleviation with environmental efforts, particularly for LDCs and SIDS.*
- *Move toward stronger strategic GEF planning at the national level. Country programs should be planned within existing structures, by a multistakeholder team and coordinated by the GEF Secretariat. Country programs should be developed as an outgrowth of and in concert with activities such as the NDI and NCSA. The development of country programs could fit nicely into an RAF structure—if approved—since the RAF will likely require the GEF to allocate resources among countries in a systematic manner. GEF will need to prioritize projects at the country portfolio level by establishing and disseminating a prioritization process and criteria, which could include innovativeness, replicability, cost effectiveness, and other parameters.*

Varying Capacities of SIDS, LDCs, and CEITs (TOR 4F)

Findings

OPS3 field studies revealed that the GEF has played a critical role in strengthening environmental institutions and developing capacity in LDCs and SIDS. The SGP, the rollout of NAPAs, and the introduction of OP15 have helped respond to the needs and capacities of these countries. In the Pacific SIDS, the OPS3 workshop was in itself a great forum for information exchange and collaboration for stakeholders in the region.

Several issues were noted by the OPS3 team with regard to the GEF's consideration of the varying capacities of countries. First, the vast majority (88 percent) of GEF projects in the Pacific SIDS are enabling activities that have focused on fulfilling international reporting requirements that have not benefited countries (or the environment) in tangible ways, which may



explain, at least in part, why the visibility of the GEF is extremely low in the region. In Caribbean SIDS, many workshops have been held, but without adequate follow-up to spur concrete action.

Institutional capacity in LDCs and SIDS, and to a lesser extent, in less developed CEITs, still remains largely inadequate to pursue GEF opportunities and fulfill GEF obligations. High staff turnover has led to the loss of institutional capacity. Cofinancing is another obstacle for LDCs, SIDS, and less developed CEITs. The GEF's outreach strategy has not permeated these regions, and country focal points do not have the resources to perform their roles, given the difficulties and expenses of travel and communication. Outreach to CEITs is also

insufficient, as evidenced by the confusion among countries working toward EU accession regarding how they will be treated by the GEF upon “graduating” as a funding recipient.

Challenges and Strategic Trade-Offs

The GEF communication and outreach strategy is not adequate for reaching out to LDCs, SIDS, and CEITs, but 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 more as an international advocacy institution, such as the Joint United Nations Programme on HIV/AIDS (UNAIDS), or more as an international

institution for financial assistance, such as the IMF? Similarly, with regard to cofinancing, the GEF must consider whether its primary concern is the improvement of the global environment, or if it is that the GEF should only cover incremental costs.

Recommendations

- *Continue promoting smaller-scale projects that fit the capacities of LDCs and SIDS. Additional funds are needed to implement existing National Action Plans, build government capacity, and mainstream environmental issues in these countries.*
- *Augment outreach and communication efforts 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.*
- *Help LDCs, SIDS, and less developed CEITs identify external funding opportunities to better access GEF funding and/or reduce cofinancing requirements to remove barriers.*



The Effects of the GEF Structures on Performance: The GEF Network

Findings (TORs 4A, 4D, and 4G)

The GEF—based on its composition, structure, and division of roles and responsibilities—has a network institutional form.¹⁵ This form, established by the Instrument through its reliance on multiple entities working collaboratively together to accomplish common results, seems appropriate for achieving GEF goals. However, measures of network effectiveness are just beginning to emerge in the literature.¹⁶

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, the institution is effective to some degree. Other sections in this report discuss results produced by the GEF network at the focal area level and at the community and country stakeholder level.

However, effectiveness can also be considered at the level of the network itself (O'Toole 1997). GEF effectiveness as a mechanism for supporting, encouraging, planning, funding, monitoring, and evaluating environmental action on a global basis is associated with the GEF's overall ability to negotiate

successfully the challenges associated with managing and coordinating activity within a complex network. These challenges are permanent and dynamic. Over time, a network institution can address the challenges with increasing effectiveness, but the challenges are always present. Considering the GEF in light of these challenges, which have been derived from the literature on public sector networks¹⁷ and from the experience of the OPS3 team, OPS3 concludes that, while there are a number of specific areas for improvement, the GEF overall is a more robust, stable, and effective institution today than it was at the time of OPS2.

Communication and alignment of goals. The GEF has added guidance on strategic alignment through its Strategic Priorities. Additionally, the OPs have achieved a degree of maturity and are understood clearly by the IAs. The business planning process has become more standardized and provides a sense of the programming challenges for the coming year. Work on a resource allocation framework for allocating a significant amount of GEF resources continues.

However, the guidance has been additive in nature—no previous guidance is changed when new guidance is added. This has yielded a framework that is too wide for strategic action. Furthermore, priorities indicate areas that are important within the focal areas, but they do not constitute a “strategy” that effectively guides programming choices. In the future, OPS3 fully supports any GEF effort to streamline its strategic guidance to focus on strategic goals, including guidance in the rather complex area of calculating incremental costs.

Coordinating partners on multiple levels and managing increasingly complex interdependence. Coordination of GEF partners was largely done through the focal areas during the initial years of the GEF’s existence. Over the past few years, coordination has moved to the network level. An example here is the increased coordination between the task forces and the Executive Coordinators meeting. In the past two years, the GEFSEC has established an Operations Team dedicated to handling administrative and management issues for the network. OPS3 considers this an essential development in the GEF’s evolution and encourages the GEF to enhance this capability. The country outreach program is an example of a coordination function that spans all focal areas. Also, the IA staffing within countries has improved the potential for effective decision making and coordination at the country level. However, while coordination has increased with the IAs, it is less clear how the GEFSEC is coordinating efforts with the EAs.

The role of the country partners, while stronger now than in the past, continues to take on increasing importance as the primary mechanism for ensuring the country-drivenness of projects. Implementation of an RAF will heighten the need for country-GEF coordination considerably, including coordination of the various IAs that have staff in the country. Also, redundancies that affect efficiency do exist in various areas of activity. For instance, many stakeholders at every level mentioned that project reviews over the course of the design phase by the GEFSEC, the IAs, and the GEF Council all focused on the same technical level and led to frequent, sometimes contradictory requests for design changes.

Evolving roles and responsibilities and managing collaboration and competition. Stability in a network comes from the growth in understanding and trust among partners (Milward and Provan 2003). In this regard, several representatives within the GEFSEC and the IAs commented on the degree of honest, forthright conversation during task force meetings and other consultations as a sign of increased trust and confidence in the other partners. OPS3 observed a fairly high degree of trust expressed from IAs and GEFSEC members, but trust- and transparency-related challenges remain, in particular regarding competition versus collaboration among the IAs and EAs.

The network administration role, which has always been the GEFSEC’s responsibility, requires a more integrated approach to administrative responsibilities than has been the case. OPS3’s review of the literature finds that a strong network administrative role is important for network stability and effectiveness over time (Provan and Milward 2001). The role of the GEFSEC as the network administrative office could use additional strengthening to support the continuing expansion of responsibilities.

The GEFSEC and the STAP have been working since OPS2 and the Third Replenishment to improve and clarify the functioning of the group. New staff, a new roster of experts, and new operational rules have been developed for the STAP over the past three years. However, despite the efforts of the STAP (and its recent chairpersons) 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. STAP members appear to be keenly aware of the perception of the STAP’s marginalized role and commented to OPS3—as did IA, OME, and GEFSEC representatives—that the STAP mandate still needs to be clarified and its mission redefined.



Structured informality (balance between control and empowerment). The main mechanism for managing the balance between control and empowerment within the GEF is the project cycle, through which projects are approved and the majority of GEF funds are disbursed. Efforts have been made to clean up and add discipline to the pipeline process, which is the critical link from work programs to actual projects. Progress has also been made toward distributing the monitoring function to the IAs and EAs that are responsible for project implementation. A study was recently concluded on the project cycle that questioned whether the design phase of the project cycle could be shortened without affecting the quality of approved projects. The length of the design phase and the difficulty of knowing where projects are in the design process are still two of the most highly criticized aspects of the project cycle by GEF stakeholders at all levels.

Maintaining an inclusionary approach. The GEF has continued in an incremental growth pattern in terms of partnerships and responsibilities that contribute to increased vitality. Over the past few years, the GEF has added focal areas and expanded opportunities to some EAs. In addition, the GEF has strengthened the country focal point program to help countries play a more effective role. The maturation of the SGP has increased the access of smaller, national NGOs to GEF activities.

An increasing number of network members place additional demands on the coordination capabilities of the network, but growth beyond the capability of the network will eventually lead to frustration and inefficiency. 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. Logistics 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.



Overcoming capacity shortages. The GEF has benefited to date from a core of participants that have been working and maturing in the partnership network for a significant amount of time. These representatives understand how the GEF functions and are able to communicate effectively. Additionally, the transfer of learning among focal areas is helpful in amplifying the knowledge of GEF ways and means that already exists. IAs and EAs working at the local level in countries have contributed to capacity at that level, although country focal points and NGO representatives testified to the varying abilities of the officers in these positions, many of whom were knowledgeable and well prepared, but others of whom were fairly inexperienced.

The capacity of the countries to work effectively within the GEF framework has also increased, although the improvements are somewhat mixed depending on the region and the country. 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 not yet transpired. As noted before, the capacity of focal points is still uneven; with some not in sync 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.

Developing clarity in measures and outcomes. As of November 2004, the GEF M&E Unit (GEFM&E) has been established as an independent office, with its own director. The transition to a fully functioning OME reporting directly to the GEF Council is expected in FY2008. M&E responsibilities have been adjusted to increase the efficiency of their execution; IAs and EAs still have responsibility for project monitoring, but the GEF Secretariat is assuming more responsibility for portfolio monitoring. OPS3 considers monitoring the effects of changes on the GEF network itself to be of very high value. Changes in a complex network—such as those that will result from the implementation of an RAF—can have wide-ranging and unintended effects. Only by monitoring the changes over time will the GEF be able to act in a timely fashion to intervene with refinements and corrections. This level of network monitoring, which takes place now in a slightly ad hoc manner, needs formal definition and assignment, most likely to the GEF Secretariat, although OME will also play a role.

Managing in a permanently evolving world. 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, such as this one; and other evaluations. Often, especially with major program studies, recommendations are turned into management actions (see the “Varying Capacities of SIDS, LDCs, and CEITs” subsection of “The GEF as Catalyst”). In addition, the newly appointed Corporate Executive Officer and

Director of OME bring fresh perspectives that will likely continue to open the GEF to new ideas. However, the STAP's role as a liaison with the scientific community for generating and introducing new ideas needs to be strengthened.

In many cases, the major effects of changing circumstances are on the projects themselves. Recent studies have highlighted difficulties associated with project inflexibility and have stressed that greater flexibility and room for innovation is needed to allow projects to achieve optimal results in the face of changing circumstances. These reviews have emphasized the need to clarify policies and procedures to encourage adaptive management of projects (GEF/C.24/Inf.5. 2004). On the other hand, adaptive management cannot be a substitute for effective project planning during the design phase.

Maintaining effective relations with external stakeholders.

In the FY2005–07 Business Plan, the GEFSEC proposed the development of a Communications Strategy to bring coherence to the activities currently undertaken by the Secretariat and the IAs. The monthly GEF newsletter is distributed to a much wider audience now, including NGOs and other stakeholders.

The GEF still needs an aggressive outreach campaign, however, to broadcast GEF accomplishments both to external and internal stakeholders, especially those stakeholders such as the NGOs that are nodes away from the source of the communication. OPS3 field visits revealed that some NGOs working on GEF projects—especially smaller, national NGOs—were not even aware that the GEF was a source of their project's funding. There are many in the global environmental community that have only a vague idea of the GEF and its role.

Challenges and Strategic Trade-Offs

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. On the other

hand, 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 OPS3 was that the logical framework should be simplified, with goals and objectives—including cofinancing—defined completely only during implementation.

IA and EA collaboration versus competition. 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. OPS3 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 an MOU with the GEF that officially sanctions their ability to implement projects solely. The fact that EAs are the lead on only 38 of the more than 1,500 projects implemented by the GEF 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 for the Establishment of the Restructured Global Environment Facility” (GEF 1994). In discussions with the GEFSEC and the IAs, it was clearly stated to OPS3 that unlimited competition will be at odds with collaboration. For example, implementing projects jointly and the associated fee sharing implies collaboration, while competition implies developing and implementing projects in a wholly owned manner 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. Additionally, under a full competition scenario, IAs may be less willing to fulfill their GEF corporate responsibilities.

Inclusiveness versus cost effectiveness and network capacity. The GEF operational principles require that “[T]he GEF... 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.” The degree of inclusivity required for GEF projects can easily lead to extra time and cost in the preparation and execution of projects.

Recommendations

- *The GEF should strengthen the role of the GEF Secretariat as the network administrative office. The GEFSEC already serves the function of network administrator, but in a mostly as-needed, ad hoc way. However, the network administrative office role includes consciously managing all the challenges associated with a complex network. OPS3 encourages the GEF Council to acknowledge the critical contribution of the network administrative office within the GEF and to adjust resources where necessary to allow the GEFSEC to manage network challenges in a more comprehensive and strategic way.*

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 GEF partners in relation to capacity and coordination, including country partner capacity; communication, coordination, and outreach with other partners, including NGOs and the private sector; and external entity outreach.
- **Management, information, and policy**—encompassing the following functions: policy and planning, work plan programming, information management strategies and systems, knowledge management and communities of practice coordination, and project cycle management.

These functions consolidate and focus efforts that are currently under way within the GEFSEC. The recommended functions do not eliminate any current responsibilities of the GEFSEC in leading the focal areas, communicating with the conventions, and supporting the Council and the Assembly, although reallocation of resources among functions may be required.

- The GEFSEC should work with the IAs and EAs to clarify roles and responsibilities and work through the competition and collaboration challenge—an issue that can 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 an ongoing dialogue among the GEFSEC, IAs, and EAs 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 Council meetings.

- The role of the STAP, currently a marginalized GEF partner, should be revisited, and structural and organizational changes should be undertaken to allow the STAP to provide documentation in a timely fashion. Specifically, the STAP must be realigned to ensure that it can function as the liaison with the external scientific community. Additionally, the STAP should be responsible for choosing experts from the roster for project review and must undergo structural and organizational changes to enable it to provide relevant reports in a timely manner.
- OME must continue to evolve the understanding of M&E within the GEF and international organizations. To accomplish this, OME should formalize the consultative process, while OME, the GEF Secretariat, and the IAs and EAs should ensure that M&E are covered at all levels (for example, at the project, portfolio, country, network, and even at the global environmental management practice levels). Finally, OME should endeavor to ensure that its evaluations are easily “digestible,” actionable, and relevant to stakeholders.



GEF Procedures

This section treats the processes, procedures, and systems required for two critical aspects of GEF activity: the project lifecycle and knowledge and information management.

GEF Project Cycle (TOR 5A)

Findings

Since its introduction in 1995, the GEF project cycle has been a guide to project designers and implementers, a focus of evaluation in the GEF, and a source of both achievement and frustration for many GEF stakeholders. Both OPS1 and OPS2 recognized the efforts of the GEF entities to streamline the project cycle; however, there is wide recognition within the GEF family that significant improvement is critical for ensuring a successful future for the GEF.

Pipeline. The pipeline is the GEF's tool for work program tracking. All concepts for GEF projects have to be reviewed and entered into the GEF pipeline prior to further preparation and Council review for work program inclusion. Because of time lags between pipeline entry and inclusion in work programs, many projects currently entering the pipeline in GEF-3 will not be included in work programs until GEF-4. In fact, the FY2005–06 Business Plan (GEF/C.24/9/Rev.1 2004) indicated that almost US\$300 million worth of concepts would fall into this category. The GEFSEC is currently initiating a process to manage the pipeline more closely, including possibly requiring projects to have an indication of which work program they will be included in or identifying 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, unless a strong argument based on the difficulty or complexity of the project start-up activities is provided.

Design phase. The design phase typically draws the most fire from stakeholders who feel that the phase takes too long, is nontransparent, and requires too much specialized expertise to write a design document that meets all of the GEF requirements. The design phase does have notable aspects, including the following:

- Project stakeholders are extensively consulted during the design phase.
- Comments from the Council and the GEFSEC are helpful at the concept level.
- There is a clear appreciation among GEF partners of the concern with the project cycle at the design phase, and efforts are being undertaken to conduct further study and flow those findings into action steps.

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. This proliferation of guidance appears to cause some confusion among those involved in developing projects, both at the IA and country level. Additionally, the number of complicated items to be addressed in project design leads to a situation in which many project proposals are developed by external consultants and specialists who understand the increasingly complex criteria involved with GEF proposal writing, but who may not understand the nuances of a particular country culture.

By encouraging the use of adaptive management techniques, the GEF has acknowledged that the conditions under which a project is designed and those under which it is implemented may change and that management must adapt. Currently, however, 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. Operational Principle 5 requires that the GEF "maintain sufficient flexibility to respond to changing circumstances..." In the project realm, this principle has led to the support of "adaptive management"¹⁸ techniques during implementation. The 2004 Program Studies cited adaptive management as providing flexibility to implementers on the

ground, and IWPS2004 observed a "move toward projects that combine strategic planning with demonstration projects to maintain stakeholder interest and articulate the adaptive management process."

To be effective, however, adaptive management needs to be based on a good monitoring system that provides information a manager can use to make informed decisions. Despite many requests, OPS3 could not find consistent evidence that such clear information exists. Therefore, monitoring at the project level should be strengthened to serve as an input for mid-course correction and for tracking changes in the initial project baseline over time.

Modalities. The GEF has approved expedited procedures for approval and disbursement for several modalities (such as MSPs and the SGP) and is currently considering instituting another modality—mid-size projects between US\$100,000 and US\$500,000. The GEF has met its recent targets for increasing the number of countries that participate in the SGP and these projects may be the most easily replicable types of projects. The SGP modality is well received by recipient countries and increases the visibility of the GEF; however, stakeholders have pointed out that the scale of SGP projects may lead to the realization of limited global environmental benefits. Conversely, FSPs are designed to maximize the realization of global environmental benefits, but these projects tend to take the longest time to design and approve. Additionally, not all recipient countries can support FSPs in terms of need or country capacity. MSPs were designed to ameliorate some of the criticisms directed at FSPs by reducing project scope and streamlining the approval process, but according to the GEF Annual Performance Report (GEF/ME/C.25/1 2004), the time lag for approval of these projects is well beyond what was originally expected. Indeed, stakeholders interviewed by OPS3 noted that MSPs were being subjected to almost the same degree of scrutiny as FSPs. In spite of the strengths and weaknesses of these modalities, they enable the GEF to respond to the diverse needs of its stakeholders. Moreover, the GEF has demonstrated a commitment to evaluating these modalities constantly for effectiveness and improvements.



Challenges and Strategic Trade-Offs

Risk aversion versus innovation. The tension between GEF's commitment to both innovative approaches that inherently involve risk and to ensuring project results that inherently involve minimizing risk is discussed in "Challenges and Strategic Trade-Offs" in the "Catalytic Impacts" subsection of "The GEF as a Catalyst." 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 elsewhere in this report, a results culture is not fully in evidence at this time. While moves have been made to shift focus to results, and to better assess baselines and indicators for results, OPS3 noted 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"¹⁹ 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 there is an MIS to permit such analysis. Furthermore, an adaptive management approach must not become a substitute for effective and in-depth project design.

Recommendations

- 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.

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 recognition of the need to avoid delays in mid-course corrections. The following aspects of project design could potentially be affected:

- **Logical framework**—While setting out the goals and objectives of the project, some of the detail required in the logical framework may be transferred to implementation.
- **Cofinancing**—Building more flexibility into the timing of cofinancing could actually improve overall levels of cofinancing. It may be easier to secure cofinancing during implementation when the project has some tangible life of its own.
- **Incremental costs**—Streamlined guidance on incremental costs could aid in the more rapid design of projects and could have a significant impact on the value of projects proposed.

The Information Management Challenge for the GEF (TOR 5B)

Modern networks are absolutely dependent on a solid, stable information management infrastructure that helps to monitor, improve, inform, and direct the network. The goal of network administration is to ensure that information is transparent—clear, complete, easily accessible, on time, and accurate—for all partners, within the constraints of reasonable information security. This requirement aligns directly with Operational Principle 6, which calls for the “full disclosure of all non-confidential information.” Part of being able to disclose information is having the ability to identify, collect, and disseminate the right types of information to meet the needs of the network. In that regard, the GEF is significantly deficient. This section will address this issue of information transparency in two areas—lesson learning and knowledge sharing, and MIS.



Lessons learned and knowledge management. Lessons learned are identified through semiformal mechanisms, including Annual Project Implementation Reviews (PIRs); Project Performance Reports (PPRs), which have been replaced by the recent Annual Performance Review; terminal and final project evaluations, and Terminal Evaluation Reviews (TERs) performed by OME. Additionally, as BPS2004 pointed out, “opportunities for institutional lesson learning and direct incorporation within the GEF Secretariat and the IAs” exist in the Inter-Agency Task Forces. OPS3 finds that the Executive Coordinators’ meeting is a mechanism for exchanging lessons learned on multiple aspects of the project lifecycle. UNDP has a system that allows project proponents to post questions and receive answers from various participants across the globe—and several focal areas, particularly International Waters, have developed systems to support knowledge sharing. The IAs have collected and published lessons learned on

specific topics (for example, the UNDP publication on solar PV projects in Africa). In addition to these somewhat formal mechanisms, lessons learned at the project level are identified in a sporadic and ad hoc manner, in small groups, on projects, and so on.

The GEF has incorporated some of these lessons learned into project design and implementation. 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.” The GEF has shown itself to be effective in generating and incorporating lessons learned through the ongoing review and amendments of the project lifecycle. 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 OPSs, Replenishments, and Assembly, and other evaluations, and progress on implementing the recommendations is periodically assessed. The direction that the OME is taking with respect to harmonizing and standardizing M&E, the formation of an Operation Coordination Team in the GEFSEC, and the re-formation of the Country Dialogue Workshops into the NDIs, are all signs that members of the GEF network identify lessons and integrate them into future activity.

However, despite the evidence of the GEF as a learning organization, there seems to be broad consensus among stakeholders—OPS3 heard similar comments in this regard from GEFSEC personnel, from the IAs, especially at the country level, from the country focal points, and from many NGOs—that more learning can be done more systematically. Recent evaluations have highlighted the inadequacy of current processes for capturing lessons learned and the need to systematize what now takes place within limited areas. 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, as well as institutional knowledge among individuals, will be lost if it is not recorded.

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 FY2005 Corporate Budget (GEF/C.23/9), which included US\$0.49 million for a KM specialist position in the GEF Secretariat’s budget. This position, however, has not yet been filled.

Management information systems (MIS). The establishment of a GEF Project Tracking and Management Information System (PMIS) came about because it was felt that the GEF’s “unique structure and the diverse, open, and transparent partnerships” required new management techniques, including modern information technologies (GEF/C.14/9 1999).

However, OPS3 finds that serious problems with MIS still exist. No MIS captures project information effectively throughout the lifecycle 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. Stakeholders at all levels of the GEF partnership commented that the PMIS maintained by the GEF Secretariat is an approval system only and is inadequate to meet the management and monitoring needs of the GEF. Many high-level GEF staff felt that the PMIS could not even be considered a management information system in its current form.

The lack of information transparency is networkwide. Despite the recommendation of OPS2, very little information is available to recipient country stakeholders regarding where their projects are in the project cycle. Moreover, CCPS2004 found that “the GEF database is not an analytical tool accessible to parties outside the GEF Secretariat, 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 GEF Secretariat.” The absence of a well-managed and comprehensive MIS in the GEF has critical implications for the GEF network. As CCPS2004 also commented, the shift from an approval culture to a result 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 current inability of the GEF to monitor its portfolio at a macro level inhibits the development of strategic visioning and planning. Indeed, OPS3 itself 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.

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 on 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. 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 (such as, UNEP.net, UNDP GEF portal, World Bank knowledge management system), and, in pushing forward KM and lessons learned, make sure that adequate time is given to both the capture and, even more importantly, 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 the MIS systems should build on 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 strategy²⁰ 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 and knowledge management and contain at least the following points:

- Trends and challenges affecting the GEF in information management;
- Assessment of the strengths and weaknesses of the current information management implementation;
- 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 systems;²¹
- 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; and
- 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 the following:

- An institutionwide MIS that makes available information on the status of projects at every stage from pipeline entry to completion. This MIS should be accessible to 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 (such as 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.

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Notes

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.
4. Multicountry projects include more than one country, whereas regional projects span more than one region and global projects span more than two regions.
5. Statistics such as these reported below are based on the cohort of projects reviewed by BPS2004.
6. Direct reduction is defined as "tangible carbon dioxide reductions directly attributable to specific project activities and the lifetime of technology promoted by the project," while indirect reduction is the estimated replication effect catalyzed by the GEF intervention.
7. While good impacts and outcomes are associated with the Black Sea–Danube project, the reduction of nitrogen runoffs is partially a result of the collapse of the former Soviet Union.
8. GEF management noted that the project-level indicators that were included in M&E Working Paper 10 (GEFM&E 2002) could be used as indicators of progress in International Waters projects.
9. Annex A and B substances include CFCs, halons, carbon tetrachloride, and methyl chloroform.
10. Appraised ODS phaseout is the amount of ODS phaseout that each country's respective GEF project is expected to phase out.
11. This estimate is approximate since the basis for assessing appraised phaseout may vary among subprojects.
12. UNEP (2002).
13. The NDI aims to achieve greater mainstreaming of GEF activities into national planning frameworks and coordination and synergies among the GEF focal areas at the national level through a multistakeholder dialogue process.
14. The CAS establishes a program of support linked to the country's own development strategy and to the Bank Group's own comparative advantage in the context of other donor activities.
15. O'Toole's (1997, 45) definition of networks is used here (see note 2). See also Rank and Wald (2000, 3), as mentioned in note 2. Unfortunately, it does not appear from the literature that a well-accepted topology of these subtypes exists. Therefore, OPS3 will treat the GEF as a network in the general sense outlined by O'Toole (1997). Indeed, it is at this general level that most of the literature and research seems to be addressed.
16. A network institution requires a different set of evaluative criteria than does a hierarchical organization. See Provan and Milward (1995, 2001); Rank and Wald (2000).
17. Network challenges have been compiled and adapted principally from Morgan (1986); Rank and Wald (2000); Provan and Milward (1995, 2001); Milward and Provan (2003); Reinicke and Deng (2000); Goldsmith and Eggers (2004).
18. 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 (2004).
19. See note 18.
20. The GEFSEC is currently undertaking a requirements analysis for MIS. OPS3 believes this study is necessary but not sufficient to build a full-dimensioned information management function. The information management plan described herein will provide a more comprehensive framework for information management within which the MIS requirements analysis will fit. OPS3 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.
21. 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.

Annex 1: 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.

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.

Note

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.)

Annex 2: Complete Terms of Reference for the Third Overall Performance Study of the GEF

(Approved by the GEF Council on May 21, 2004)

Introduction to the Global Environment Facility (GEF)

1. The mission of the Global Environment Facility (GEF) as presented in the Instrument for the Establishment of the Restructured GEF and as amended by the Second GEF Assembly is:

The GEF shall operate, on the basis of collaboration and partnership among the Implementing Agencies, 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 in the following focal areas: climate change, biological diversity, international waters, ozone layer depletion, land degradation, primarily desertification and deforestation, and persistent organic pollutants (POPs).

2. The GEF is governed by the GEF Council, which is serviced by the GEF Secretariat. It has three GEF Implementing Agencies (UNEP, UNDP, the World Bank), seven Executing Agencies¹, and a Scientific and Technical Advisory Panel (STAP). The GEF works in close collaboration with national governments and also cooperates with NGOs, civil society and the private sector.

3. The GEF is a financial mechanism for the UN Convention on Biological Diversity, the UN Framework Convention on Climate Change, the Stockholm Convention on Persistent Organic Pollutants and the UN Convention on Desertification.

4. During its first decade, the GEF has provided about \$4.5 billion in funding for almost 1,200 projects in more than 140 countries. The Third Replenishment of the GEF Trust Fund provided an additional \$3 billion for the period July 2002–June 2006, the third phase of the GEF (GEF3), and is tied to an agreement on a set of policy recommendations including a set of targets to be achieved by November 2004.

5. The GEF underwent an independent evaluation of its Pilot Phase in 1993. Overall evaluations of the restructured GEF were conducted in 1997 and 2001. All of these evaluations contributed to the decision-making processes of the GEF Replenishment and Assembly. The GEF Council has decided that a Third Overall Performance Study (OPS3) of the GEF should be independent and external, and that it should be completed in time to inform negotiations of the Fourth GEF Replenishment of Funds expected to begin in 2005.

Objectives of OPS3

6. The purpose of the Third Study of GEF's Overall Performance (OPS3) 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. As the portfolio continues to mature, OPS3 will focus more than its predecessors on program and project outcomes, the sustainability and replicability of those outcomes and the move towards impacts. There are five main topics for the study, namely:

- a) *Operational and Program Results:*² What have been the quantitative and qualitative impacts and results of GEF activities at the local, regional and global level in the areas of biodiversity, climate change, international waters and ozone depletion? If impacts and other results are not quantifiable, what are the reasons? Do projects developed under the new focal areas of land degradation and persistent organic pollutants reflect global priorities? What are the key factors that have contributed to the achievement of global environmental benefits? Historically, how have GEF resources been allocated geographically and is this allocation consistent with strategic priorities?
- b) *Sustainability of Results:* To what extent have desired global environmental benefits continued following completion of GEF projects? What are the key factors that determine the sustainability of GEF projects? 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?
- c) *Effects of GEF Operations on other institutions and related issues:* How successful has the GEF been in fulfilling its catalytic role by leveraging additional resources, catalyzing results by innovation, demonstration and replication, fostering international co-operation on environmental issues, mainstreaming environmental issues into partner institutions and involving the private sector in both projects and co-financing? What are the key areas that lead to catalytic impacts and what issues need to be addressed to improve catalytic impacts?
- d) *Effects of GEF's Institutional Structure and Procedures on Results:* Are the GEF entities—the Implementing and Executing Agencies, the GEF Secretariat, the STAP and the Trustee—performing their respective functions in a satisfactory, cost-effective and responsive manner? Are there conclusions that can be drawn with respect to cost-effectiveness and responsiveness of the GEF projects in comparison to similar international institutions? Are GEF's policies and programs adequately responding to the objectives of the Conventions to which it serves as a financial mechanism? Is the GEF's composition, structure and division of roles and responsibilities effective in meeting its mandate and operations? Are the GEF Secretariat and its

partner agencies effectively responding to national priorities? Is the GEF taking into account the varying capacities of countries including for example small island developing states (SIDS), least developed countries (LDCs), emerging economies? How effective has the Monitoring and Evaluation (M&E) Unit been and how effective has the process of monitoring and evaluation been?

- e) *Effects of GEF Implementation Processes:* What are the factors that influence performance at all stages of the GEF project cycle? Have lessons learned and feedback been adequately integrated into project design and implementation? What progress has been made on the implementation of key policy recommendations from Council?

7. Specifically, the Study will: (a) provide an overall assessment of the impacts and other results achieved since the GEF restructuring in 1994 till June 2004; (b) assess the effectiveness of GEF policies, strategies and programs; (c) examine the main factors influencing the achievement of GEF objectives and consider possible shortcomings to the achievement of objectives; (d) draw key lessons and provide clear and actionable recommendations to the GEF Council on how to render GEF support more effective in contributing to global environmental benefits.

8. The Study will also focus on GEF's performance in implementing the GEF Operational Strategy, notably its ten operational principles listed in the GEF Operational Strategy, as well as their continued relevance to the development and implementation of GEF's programs. The study will also review and evaluate the effectiveness of instruments of assistance e.g., small grants program etc.

Scope and Focus of OPS3

9. The scope of OPS3 will cover five main themes:

(1) Results of the GEF activities. The OPS 3 team will:

- a) Assess both the quantitative and qualitative environmental impacts and other results at local, regional and global levels as well as other results from completed and on-going GEF efforts in biodiversity, climate change and international waters, including progress made towards achieving

GEF3 targets³ by projects approved since July 2002. To the extent the impacts are not quantifiable, the study will explain why e.g., inadequate project design, inadequate baseline data.

- b) Regarding the two new GEF focal areas—land degradation and persistent organic pollutants (POPs)—review initial steps and assess to what extent GEF projects reflect global priorities for action in these two areas.
- c) With reference to the GEF M&E Unit's ozone study in the year 2000,⁴ provide an update on performance and impact with regard to the phase-out of ozone depleting substances.
- d) Identify key factors that influence the achievement of results, such as policy frameworks, strategies, institutional capacities, and implementation issues.

(2) Sustainability of results at country level.

The OPS3 team will:

- a) Assess the extent to which global environmental benefits from GEF projects have or are likely to continue after project completion. The analysis should be done for each focal area.
- b) Identify the key factors that determine sustainability, whether they are of a financial, economic, social, ecological, institutional or other nature, and review their effects on GEF performance.

(3) GEF as a catalytic institution. The OPS3 team will:

- a) Assess the performance of the GEF in fulfilling its catalytic role in each focal area by: (a) leveraging additional financial resources from the public and private sectors; (b) catalyzing results by innovation, demonstration and replication; (c) fostering international cooperation on environmental issues; and (d) leading to the mainstreaming of global environmental issues into the operations of Implementing Agencies, Executing Agencies and the policies and programs of national governments.
- b) Identify key areas and/or issues related to potential catalytic impacts and analyze how GEF has acted or positioned itself in response to such opportunities.

(4) GEF policies, institutional structure and partnerships.

The OPS3 team will:

- a) Evaluate whether GEF policies and programs are adequately responding to the objectives and guidance of the Conventions to which GEF is a financial mechanism.
- b) Assess the performance and cost-effectiveness of GEF Implementing and Executing Agencies in project design, approval and implementation, as well as the delivery of GEF corporate services by the Implementing Agencies.
- c) Assess whether GEF's current composition, structure, division of roles and responsibilities are effective for meeting its mandate and operations.
- d) Assess how the cooperation among the GEF entities—the GEF Secretariat, Implementing and Executing Agencies, STAP and the Trustee—impact on the development of the GEF portfolio and its results. Also consider the effectiveness of communication and information dissemination between or among entities and stakeholders, including the Conventions to which it is a financial mechanism.
- e) Assess the follow-up of Council decisions by the GEF Secretariat as well as the Implementing and Executing Agencies.
- f) Assess the extent to which the GEF Secretariat and its Implementing and Executing Agencies are responsive to national priorities and GEF strategies and the extent to which they are effective in mobilizing co-financing and mainstreaming GEF objectives and operations within their own development assistance programs.
- g) Review the effectiveness of the GEF strategies, outreach activities and dialogue with different stakeholders to build partnerships and catalytic action for global environmental benefits. Focus should be given to evaluating the participation of the private sector, civil society, and local communities as well as recommending ways to improve upon this participation. Gender issues should be addressed in this context.
- h) Assess how the cooperation amongst GEF entities at the country level impact on the development and implementation of country portfolios.
- i) Assess the effectiveness of the M&E Unit both as an institution and in terms of its processes.

(5) GEF implementation processes. The OPS3 team will:

- a) Review the factors and strategies that influence performance and results at the three main phases of the project cycle: (a) project design and approval; (b) implementation; and (c) monitoring and evaluation. Wherever relevant and possible, the study should distinguish among various types of recipient countries e.g., emerging market economies, small island developing states (SIDS) and LDCs.
- b) Assess whether lessons learned and feedback from Council members have been adequately integrated into project design and implementation. The review should seek to recommend ways to simplify, standardize, and render the process more effective. Particular attention should be paid to evaluating the capacity of countries to develop and implement GEF projects.
- c) Assess the progress made on the implementation of the Policy Recommendations Agreed as Part of the Third Replenishment of the GEF Trust Fund.

Execution of the Study and Stakeholder Involvement

10. The Third Study of the GEF's Overall Performance (OPS3) will be undertaken from May-June 2004 through April 2005 by an independent and external team of experts.⁵

11. The work of the GEF involves a range of stakeholders. Stakeholder participation is one of the key GEF review criteria of performance. Accordingly, the OPS3 Team will consult with the GEF Secretariat, the GEF M&E Unit, Implementing and Executing Agencies, GEF member countries, the Trustee, STAP, the Secretariats of the Conventions for which GEF serves as a financial mechanism, direct beneficiaries of GEF projects as well as some of the agencies co-financing GEF projects and programs. Other key partners, such as the private sector and the NGO community, will also be consulted.

12. The team will function in an inclusive and open manner. To help ensure transparency and good communication, the Team will propose appropriate mechanisms for stakeholder involvement, consultations and cooperation with the key partners. Such mechanisms may include consultations in conjunction with Council Meetings and appropriate international or regional environmental meetings; regional or local events, and public information through electronic or other means.

13. In preparation for OPS3, the GEF M&E Unit is implementing program studies in the three main GEF focal areas of biodiversity, climate change, and international waters. In addition, the Unit has also conducted annual project performance reviews, several special studies, including the extensive analysis of local benefits of GEF projects and of financial arrangements of biodiversity projects. The program studies and the special studies will be conducted by teams of independent consultants and staff members from the GEF M&E Unit. The OPS3 team will review the existing body of work of the M&E Unit and the lessons it has generated, consider the usefulness of this material to establish the status of the current portfolio and determine the need for additional activities including data collection and analysis, desk reviews and field work. The lessons learned from analysis of existing documents should also guide the extent to which additional activities need to be undertaken in order to fill gaps in current knowledge.

OPS3 Team

14. The composition of the Study Team, with 6–9 members,⁶ should reflect the independence and the substantive focus of the exercise. The Study will be undertaken by a firm or consortium of firms which is internationally recognized in evaluation assessment work, has a strong reputation and experience in international development, has a substantial track record in undertaking complex assignments, and can demonstrate it has no conflict of interest (para. 16, below). The firm or consortium will be expected to have a qualified senior member/partner that would oversee the work of the study team, liaise regularly with the GEF M&E Director, and ensure the timely delivery of the contracted products by the Study Team. The composition of the Study Team, with 6 principal members, should reflect the independence and the substantive focus of the exercise.

In accordance with the scope of the Study, the Team composition should reflect:

- Strong competence in evaluation, especially in techniques appropriate for organizational performance evaluations, program or thematic evaluations;
- Expertise in global environment and sustainable development;
- Competence in related aspects of policy analysis, economic and social development;
- Financial expertise;
- Institutional and organizational expertise; and
- Knowledge of project management approaches of international development assistance, in order to contextualize the analysis and assess project contributions.

The Team Leader must be a senior professional with substantial and relevant international experience in evaluation assessment, must have a demonstrated capacity and experience in strategic thinking and policy advice, in evaluation of complex programs and in team leadership.

15. All team members and consultants will be chosen on the basis of merit. In composing the team and conducting the study, consideration will also be given to geographical and gender balance as well as the involvement of local and regional consultants to enhance the quality of the study. The team members will be involved for the entire duration of the study. The minimum qualifications and expertise required from each team member are:

- Masters degree or equivalent in natural or social sciences or related fields,
- Minimum of 10 years of experience in evaluation, research, environment and development; at least 15 years of experience for the Team Leader and key members of the team,
- Minimum of five years of experience in developing countries or countries with economies in transition,
- Experience with multilateral, bilateral or national development programs,
- Capacity to work effectively and flexibly in a team and with tight timeframes. Ability and readiness to work in a multicultural environment and to travel internationally,

- Demonstrated ability to deliver analytical papers of high quality,
- Be available to work for at least 80 days between June 2004 and May 2005, in periods essential to the Study,
- Excellent analytical writing and communication skills in English; proficiency in Spanish or French is desirable.

16. The OPS3 evaluation exercise is intended to be an independent assessment, offering professional, objective and impartial advice. The evaluation team must therefore be free of any conflict of interest, real or apparent, with other, past, present or considered future assignments or own corporate interest. The evaluation team must demonstrate a clear arms-length relationship with GEF-related entities and member governments. No team member or firm shall be engaged in the evaluation exercise if this would be in conflict with prior or current obligations to other clients, or if they would be in a position of not being able to carry out the assignment independently.

Without limitation on the generality of this rule, the contracting party and members of the team shall not:

- have any concurrent assignment (as contracting party) with the GEF Secretariat or with the STAP, the GEF-related departments of the Implementing Agencies or Executing Agencies (hereafter collectively referred to as "GEF Institutions")⁸, or be current employee of any member government or member government-owned entity. Publicly-owned academic institutions, including universities or their equivalents and research institutions affiliated with universities, can be considered exceptions to this, provided they have a record of independence.
- have previous work experience with the GEF Secretariat, or previous oversight/managerial responsibility for GEF-related activities, including any external review/audit or evaluation, or have a work history with more than 15% of working days with GEF-related activities over the last five years⁹.
- derive, on average over the last five years, directly, or through their employer, more than 35% of their funding, contracts or income from any single source with environment-related activities or the international affairs/development assistance agencies of any one member government, or more than 20% from any single GEF Institution.

In addition, the successful applicant will be barred from bidding for contracts related to GEF activities for a period of one year after the completion of this evaluation, except for extensions of the evaluation as may be requested by the GEF Council.

17. The Operations Evaluation Department (OED), a fully independent unit of the World Bank, will manage the selection process (including advertising and reviewing Expressions of Interest (EOIs), reviewing EOIs, and undertaking a competitive and transparent selection process) and will select the team to undertake the study consistent with the Terms of Reference. The aim is to assemble the full team by June 2004.

18. Once the work is underway, the incoming head of the newly independent GEF M&E Unit will provide oversight of the process, basically in ensuring that the Terms of Reference for OPS3 are followed. The GEF M&E Unit will brief the OPS3 Team on relevant GEF M&E documents and data sources. It will provide technical backstopping and administrative support to the OPS3 Team including preparing contracts and logistics for field visits and regional consultations. The Unit will also provide written comments to the OPS3 team on all its deliverables.

19. The GEF Secretariat and GEF Implementing and Executing Agencies will also be expected to respond promptly and fully to OPS3 requests for information and documentation, as well as render some logistical support to the OPS3 team for field visits.

Methodology

20. The complexity of the issues, the organizational framework and impact levels covered in OPS3 call for a coherent and focused evaluation methodology. The key challenge is to establish a Study framework that captures the hierarchy of results produced at the levels of projects, programs, and focal areas, while analyzing overall performance at the organizational and institutional level and across common areas and issues. Such a framework will be detailed in the Inception Report of the OPS3 team, with a plan of implementation for the Study.

21. The methodology should be consistent with best practices as outlined in the independent M&E Unit's Terms of Reference (approved by Council July 28, 2003), including random selection methodologies, and should respond to the five key areas of scope, with an appropriate balance of the following key elements:

- Analysis of existing data and information, gathered from desk reviews and field visits;
- Consultations should be undertaken using appropriate participatory techniques with international, national and local stakeholders and beneficiaries, directly through regional/national meetings, interaction at international events, surveys or questionnaires, focus group meetings etc.
- Interviews with key stakeholders, in particular project beneficiaries, community groups, NGOs and civil society organizations and the private sector as well as the GEF Secretariat, GEF Implementing and Executing Agencies, members of the GEF Council and representatives of the Secretariats of UN Conventions to which the GEF serves as a financial mechanism.
- Selected field visits, tentatively in 10–15 countries, identified on the basis of criteria specified in the Inception Report and best practices with respect to random selection. Those criteria might include: (a) number of GEF projects and size of funds allocated; (b) representation of projects in the various focal areas; (c) project performance; (d) various institutional models for responding to GEF initiatives; (e) geographical and other variations between regions and countries; (f) information gaps.
- Any other approaches that may yield essential information (select project reviews, case studies, country studies, time-series analysis etc.).

Deliverables

22. Within three months of its establishment, the OPS3 team will produce an Inception Report to be shared with the GEF Council,¹⁰ the GEF Secretariat, and GEF M&E Unit for feedback. The Inception Report will provide a detailed, transparent and practicable framework for the Study, and should include, as a minimum:

- Purpose and scope of the Study as defined in the Terms of Reference.
- Other areas/issues to be covered in-depth (focal areas, strategic priorities, cross-cutting issues, global, regional and country projects), criteria for selection.
- Methodology to address the five key areas of OPS3.
- Data and information needed, availability, and how to address data gaps. Data and analysis should be gender-disaggregated when relevant and possible.
- Strategy and mechanisms for stakeholder involvement, communication, consultations and cooperation with the key partners.
- Organization of the Study and work program, including country field visits and specific responsibilities and deliverables of the Study team members.
- Proposed interaction and interim reporting to the GEF Council.

23. The main expected output is the comprehensive draft report of the Study that should be circulated to the Council no later than the first quarter of 2005, and final report of the Study that should be circulated to the Council, including relevant annexes with detailed data, by the second quarter of 2005. The final report by the OPS3 Team should contain:

- Executive Summary including specific and actionable conclusions and recommendations
- Background, with analysis of context
- Analysis of results and performance in the five areas of scope
- Key policy issues
- Lessons Learned
- Main Findings and Recommendations
- Annexes, as appropriate

24. The OPS3 team will also be responsible for providing progress reports to the GEF M&E Unit as proposed in its Inception Report, or as requested by the Council during the execution of OPS3. Upon completion of the study, the OPS3 team will make available, on request, any supporting documentation or studies as background material to the main report.

Notes

1. The Executing Agencies comprise the four major regional development banks (the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank) and three specialized agencies (the International Fund for Agricultural Development (IFAD), the Food and Agriculture Organization of the United Nations (FAO), and the United Nations Industrial Development Organization (UNIDO).
2. 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.
3. GEF3 targets were presented in GEF/C.21/Inf.11.
4. Study of Impact of GEF Activities on Phase-Out of Ozone Depleting Substances (GEF Evaluation Report #1-00).
5. This is in accordance with GEF M&E Unit's TORs approved by Council: OPSs are external and managed by the Unit.
6. The estimated inputs in the budget are full-time for the team leader and 5 person-months for the five additional study team consultants between June 2004 and May 2005.
7. It is not feasible to compose the team of technical expertise in the numerous focal area or OPs of the GEF. Where required, short-term technical expertise may be called upon.
8. The term "GEF-related departments of the Implementing Agencies or Executing Agencies" is intended to include units of those agencies which undertake GEF project activities, GEF activities or environmental activities more generally. For example, a contracting party could have a concurrent contract on AIDS projects with the World Bank, but could not have a concurrent contract for environmental projects with the World Bank.
9. The term "GEF-related activities" is understood to be limited to activities funded by GEF or activities funded by the Implementing Agencies or Executing Agencies that are undertaken in conjunction with GEF-funded activities.
10. The Inception Report will be circulated to the Council to provide feedback on an informal basis.

OPS3 Acronyms and Abbreviations

ABS	Access and Benefit Sharing
BPS	Biodiversity Program Study
CAS	Country Assistance Strategy (World Bank)
CBD	Convention on Biological Diversity
CCPS	Climate Change Program Study
CDM	Clean Development Mechanism
CDW	Country Dialogue Workshop
CEIT	Countries with economies in transition
CFC	Chlorofluorocarbon
CO ₂	Carbon dioxide
COP	Conference of the Parties
CPAP	Country Programme Action Plan (UNDP)
EA	Executing Agency
EU	European Union
FSP	Full-size project
GEF	Global Environment Facility
GEF-1	Restructured GEF (FY1995–98)
GEF-2	FY1999–2002
GEF-3	FY2004–2006
GEF-4	FY2007–2010
GEFM&E	Global Environment Facility Monitoring & Evaluation Unit
GEFSEC	Global Environment Facility Secretariat
GHG	Greenhouse gas
HCFC	Hydrochlorofluorocarbon
HFC	Hydrofluorocarbon
IA	Implementing Agency
IPCC	Intergovernmental Panel on Climate Change
IUCN	International Union for the Conservation of Nature and Natural Resources (World Conservation Union)
IW:LEARN	International Waters Learning Exchange and Resource Network
IWPS	International Waters Program Study
IWTF	GEF International Waters Task Force
KM	Knowledge management
KRA	IUCN Key Results Area
LDC	Least developed country
LME	Large Marine Ecosystem
M&E	Monitoring and evaluation
MIS	Management and information system(s)
MLF	Multilateral Fund of the Montreal Protocol
MOP	Meeting of the Parties to the Montreal Protocol
MOU	Memorandum of Understanding
MSP	Medium-size project


MT	Metric ton(s)
NAI	Non-Annex I (countries)
NAPA	National Adaptation Programme of Action
NC	National communication
NCSA	National Capacity Self-Assessment(s)
NDI	National Dialogue Initiative
NGO	Nongovernmental organization
NIPs	National Implementation Plans (under POPs)
ODP	Ozone-depleting potential
ODS	Ozone-depleting substance(s)
OME	GEF Office of Monitoring and Evaluation
OP	Operational Programs
OP1	Arid and Semi-Arid Zone Ecosystems
OP2	Coastal, Marine, and Freshwater Ecosystems
OP3	Forest Ecosystems
OP4	Mountain Ecosystems
OP5	Removal of Barriers to Energy Efficiency and Energy Conservation
OP6	Promoting the Adoption of Renewable Energy by Removing Barriers and Reducing Implementation Costs
OP7	Reducing the Long-Term Costs of Low Greenhouse Gas Emitting Energy Technologies
OP8	Water Body-Based Operational Program
OP9	Integrated Land and Water Multiple Focal Area Operational Program
OP10	Contaminant-Based Operational Program
OP11	Promoting Environmentally Sustainable Transport
OP12	Integrated Ecosystem Management
OP13	Conservation and Sustainable Use of Biological Diversity Important to Agriculture
OP14	Persistent Organic Pollutants
OP15	Sustainable Land Management
OPS	Overall Performance Study(-ies)
PIR	Project Implementation Review
PMIS	GEF Project Tracking and Management Information System
POPs	Persistent Organic Pollutants
PPR	Project Performance Report
PV	Photovoltaics
RAF	Resource Allocation Framework
SAP	Strategic Action Programme
SCCF	Special Climate Change Fund
SGP	Small Grants Programme
SIDS	Small island developing states
STAP	Scientific and Technical Advisory Panel
TDA	Transboundary Diagnostic Analysis
TEAP	Technology and Economic Assessment Panel
TER	Terminal Evaluation Review
TOR	Terms of Reference
UN	United Nations
UNAIDS	The Joint United Nations Programme on HIV/AIDS
UNCCD	United Nations Convention to Combat Desertification
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
WCMC	World Conservation Monitoring Centre

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