

# OPS4

## PROGRESS TOWARD IMPACT



### FOURTH OVERALL PERFORMANCE STUDY OF THE GEF

## EXECUTIVE VERSION



GLOBAL ENVIRONMENT FACILITY  
EVALUATION OFFICE



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EXECUTIVE VERSION

MARCH 2010



GLOBAL ENVIRONMENT FACILITY  
EVALUATION OFFICE

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# FOREWORD

**E**very four years, the Global Environment Facility (GEF) is replenished by its donors. Each replenishment process has been informed by independent overall performance studies of the GEF. These studies have developed into authoritative reviews of the state of the art and of available knowledge on the functioning and results of the GEF. Previous reviews were undertaken by teams of independent experts; this Fourth Overall Performance Study (OPS4) was, for the first time in the study series' history, undertaken by a GEF entity itself: the GEF Evaluation Office. This authorship stems from the recognition that the Office — which became independent in 2004 and from that point reported directly to the GEF Council — could provide a perspective independent from that of the Secretariat, the GEF Agencies, GEF donors and recipients, and other GEF partners and stakeholders.

Another first for the study series is that OPS4 tackles the issue of the impact of completed GEF projects. It is clear that the GEF cannot, on its own, bring about solutions to the major global environmental problems of our time. The amount of funding is simply not enough, and these solutions have to be accomplished by the governments and local communities of recipient countries and through actions in the developed world. However, evaluative evidence shows that most of the GEF's finished projects have achieved satisfactory progress toward impact. When the follow-up is in place that ensures the up-scaling of these achievements, longer term effects and impacts can be realized.

Given the comparatively small role that the GEF can play, it has to be catalytic to ensure that any success will be replicated on a scale that will make a difference. Evaluative evidence on this catalytic role shows that the GEF modalities will strongly support up-scaling: first, the enabling environment is created through **foundational** interventions, in which regulatory frameworks, policies, and national priorities are developed; then **demonstration** of new technologies, market changes, or new approaches to interaction with the environment are put in place; and, lastly, **investments** ensure the national implementation or up-scaling of these new approaches. Unfortunately, the same evidence reveals that the GEF did not have sufficient funds to apply all of these modalities in all recipient countries. Least developed countries and small island developing states especially have not progressed far in terms of demonstration and investment.

Two Senior Independent Evaluation Advisors supported OPS4 and the Council by providing external perspectives at key points. Their review of the final report has been included as an appendix to the full OPS4 report and can be found on the CD-ROM and the GEF Evaluation Office Web site ([www.gefeo.org](http://www.gefeo.org)). On one important issue, a difference of opinion between the Office and these advisors emerged. The new methodology of reviewing impact delivered a verdict on the GEF's finished portfolio that the advisors interpreted more negatively than did the Office. The Evaluation Office concluded that any finished project that exhibited a **moderately** satisfactory situation enabling longer term impacts was poised to make "moderate progress toward impact." The advisors felt that only projects that showed **fully** satisfactory situations should be qualified as such. The Office's interpretation has been retained in the final OPS4 report because the recognized international rating of good outcomes of projects starts at "moderately satisfactory" rather than "fully satisfactory"; consequently, it did not seem appropriate to shift the goalposts for impacts to a higher rating level. Nonetheless, this point, along with several others made by the advisors, is of great relevance to the next overall performance study. The Office will ensure that all these ideas are considered in the fifth OPS, just as important issues identified by the High Level Advisory Panel for OPS3 were taken up by the Evaluation Office in the present study.

A handwritten signature in black ink, appearing to read 'Rob D. van den Berg', with a stylized, elongated flourish extending to the right.

Rob D. van den Berg  
Director, Evaluation Office

# ACKNOWLEDGMENTS

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# APPROACH, SCOPE, AND LIMITATIONS

Methodological Approach and Scope

Limitations

*OPS4 builds on OPS3 and the 24 evaluation reports conducted by the Office since 2004, as well as 28 case studies and technical reports. The full portfolio of GEF projects, activities, and project proposals from the pilot phase through June 30, 2009, has been analyzed. Evidence on progress toward impact was gathered from 205 completed projects. From these inputs, along with the 9 additional case studies and 10 project visits undertaken specifically for this study as field reviews of progress to impact, OPS4 incorporates evaluative evidence from 57 countries, with varying degrees of depth and intensity, and evidence from visits to 51 medium- and full-size projects, as well as to 107 projects of the GEF Small Grants Programme.*

**T**he Global Environment Facility (GEF) is replenished by donors every four years.<sup>1</sup> These replenishments are informed by GEF achievements to that point. Overall performance studies have been undertaken since the GEF's pilot phase to provide such information; the fifth replenishment of the GEF will thus be informed by this Fourth Overall Performance Study (OPS4). The study's aim is to provide an assessment of the extent to which the GEF is achieving its objectives and to identify potential improvements. The study was conducted by the GEF Evaluation Office, except for some substudies on issues that would pose a conflict of interest for the Office, such as reviews of the functioning of the GEF Council and the GEF Monitoring and Evaluation Policy, which it authored. The Office is independent from GEF management and reports directly to the GEF Council.

OPS4 began in early 2008 with gradual development of and consultations on key questions and an approach paper. The terms of reference (included in part in appendix A to this executive version) were approved by the GEF Council in September 2008; the actual effort, as approved in the Evaluation Office work program, began in July 2008. With some exceptions, data gathering and analysis ended on June 30, 2009, after which drafting of the final report was undertaken.

The main findings, conclusions, and recommendations are presented in the first section of the full report, which can be found on the CD-ROM attached to this executive version and on the Evaluation Office Web site ([www.gefeo.org](http://www.gefeo.org)). The remainder of the full report is divided into four

sections. The second section of the full report, "The GEF in a Changing World," provides an overview of the international context in which the GEF operates. Its chapters delineate global issues, cover resource mobilization internationally and for the GEF in particular, present evidence of guidance from the environmental conventions, and describe the GEF's catalytic role. The section ends with a discussion of programming issues in the GEF, placed in the context of the international agenda toward stronger country ownership. Section 3 of the full report, "Progress Toward Impact," brings together evidence on the relevance to the conventions and results in the GEF focal areas of climate change, biodiversity, international waters, ozone layer depletion, persistent organic pollutants, and land degradation, as well as multifocal area activities. Section 4 of the full report, "Issues Affecting Results," deals with performance, learning, and resource management. Section 5 of the full report, "Governance and Partnership," addresses governance and partnership concerns in the GEF.

This executive version presents highlights from all of these sections, but readers are urged to review the full report for the evaluative evidence behind the conclusions presented here.

## METHODOLOGICAL APPROACH AND SCOPE

The OPS4 work was organized in five clusters. The **first cluster** assessed the role and added value of the GEF through a desk review of available literature, documents, and reports, complemented with interviews. The results of the GEF constituted the **second cluster** for assessment: the concrete, measurable, and verifiable results (outcomes and impacts) of the GEF in its six focal areas and in multifocal area efforts, and how these achievements relate to the intended results of interventions and to the problems at which they were targeted. This cluster was built on existing evaluative evidence

---

1 The GEF replenishment periods are as follows:

- Pilot phase: July 1, 1990, to June 30, 1994
- GEF-1: July 1, 1994, to June 30, 1998
- GEF-2: July 1, 1998, to June 30, 2002
- GEF-3: July 1, 2002, to February 6, 2007
- GEF-4: February 7, 2007, to June 30, 2010
- GEF-5: July 1, 2010, to June 30, 2015

from country portfolio evaluations and case studies as well as on a new review of outcomes to impact for all finished projects since the Third Overall Performance Study (OPS3). The **third cluster** consisted of an assessment of the relevance of the GEF to the global conventions and to recipient countries, and was mainly based on desk reviews of documents and reports, enhanced and verified through interviews, country and Agency visits, and stakeholder opinions. Performance issues affecting GEF results were assessed in the **fourth cluster** on the basis of existing evaluation reports, extensive interviews with stakeholders, and some additional case studies. Resource mobilization and financial management at the GEF level were the focus of the **fifth cluster**, which was based on data and portfolio analysis, desk reviews, and expert involvement in analysis and reporting.

The methodological approach and scope differed by cluster and often by question within clusters. The OPS4 Web pages (accessed through [www.gefeo.org](http://www.gefeo.org)) provide approach papers, protocols, methodological handbooks, and guidelines on all major areas of OPS4, as well as on most of its case studies. Furthermore, technical papers on substudies are published on the Web site.

OPS4 builds on OPS3 and the 24 evaluations conducted by the Office since 2004, as well as 28 case studies and technical reports. The full portfolio of GEF projects, activities, and project proposals from the pilot phase through June 30, 2009, has been analyzed. Evidence on progress toward impact was gathered from 205 completed projects. From these inputs, along with the 9 additional case studies and 10 project visits undertaken specifically for this study as field reviews of progress to impact, OPS4 incorporates evaluative evidence from 57 countries, with varying degrees of depth and intensity, and evidence from visits to 51 medium- and full-size projects, as well as to 107 projects of the GEF Small Grants Programme (SGP).

Consultations were held with representatives of all GEF stakeholders to ensure that their perspectives could be taken into account. Meetings with GEF focal points and representatives of civil society organizations took place in all regions in which the GEF operates. Furthermore, four GEF interagency meetings were held to discuss progress at key OPS4 milestones (implementation start, finalization of methodological approaches, delivery of the interim report, and presentation of preliminary findings). The primary GEF partners — the GEF Secretariat, the GEF Agencies, the GEF Trustee, and the Scientific and Technical Advisory Panel (STAP) — were consulted to determine and resolve any remaining factual errors and errors of analysis in the draft OPS4 report. A Quality Assurance Peer Group reviewed interim OPS4 products. Two Senior Independent Evaluation Advisors provided advice on both the interim report and the final OPS4 report.

## LIMITATIONS

The terms of reference for OPS4 were highly ambitious. At several junctures, OPS4 encountered the limits of what it could do with existing data and evaluative evidence within the time available and the budgets for the substudies. These limitations meant that, on some important points, this report is not able to answer all key questions fully. Many of these issues will be taken up in the coming years in the evaluation programming for the fifth GEF replenishment (GEF-5, 2010–15). An important limitation lies in the use of the GEF Project Management Information System for data on the full GEF portfolio. While the current database is an improvement over the previous system for basic data, much of the detailed information is still not fully reliable, as was discovered in the last phase of OPS4.

The achievements of the GEF are mainly revealed through finished projects, which are all independently evaluated or independently verified. OPS4 studied all projects that provided terminal

evaluations from fiscal year 2004.<sup>2</sup> Certain limitations hamper the terminal evaluations, as discussed in the annual performance reports of the Evaluation Office. Through additional work (field verifications, case studies, and further documentation), these evaluations have been the basis of much of the results-oriented work of OPS4. This thrust has meant that the newer focal areas of persistent organic pollutants and land degradation are under-represented in OPS4.

OPS4 was not able to gather sufficient evidence on the involvement of civil society organizations and the private sector in GEF operations. The Evaluation Office's 2008 Midterm Review of the Resource Allocation Framework concludes that, in biodiversity and climate change, the involvement of both civil society organizations and the private sector has declined. There is no evidence reviewed during OPS4 that challenges this conclusion. However, the Office's impact evaluation on ozone-depleting substances shows a strong involvement of the private sector in that focal area, and the SGP remains dedicated to the involvement of local communities and organizations. More should be said on the matter, but this will have to be explored in future evaluations.

The focus on progress toward impact in OPS4 necessitated limitation of the study to the three main Implementing Agencies of the GEF: the World Bank, the United Nations Development Programme, and the United Nations Environment Programme. The seven new Agencies that are now substantially increasing their share in the GEF do not have a

sufficient number of finished projects to allow for any conclusions yet.

In the years since OPS3, the GEF Evaluation Office has presented two evaluations to the Council that highlighted major issues for reform in the GEF. The first was the 2006 Joint Evaluation of the GEF Activity Cycle and Modalities, which concluded that GEF identification and approval of projects was inefficient and ineffective, and that these processes were broken beyond repair. This conclusion led to a full reform of the cycle which is not yet finished or fully visible, given the relatively short time that has passed since reform was initiated. OPS4 therefore does not contain a verdict on whether the reformed cycle is now adequate and efficient, although initial findings point in a positive direction.

The second evaluation was the Midterm Review of the Resource Allocation Framework, presented to the GEF Council in November 2008. This evaluation concluded that the Resource Allocation Framework system was too complex, not sufficiently transparent, and too costly, leading to a low level of utilization in many countries; further, it features rigid and skewed implementation rules, resulting in complaints and tensions. Consequently, a new system is in preparation for GEF-5, which is currently under discussion.

Because efforts to improve the key GEF decision points in the project cycle and the discussion on a new allocation system are ongoing, OPS4 has not devoted many pages to repeating the findings of these two earlier evaluations, but here reiterates that improvements are essential to achieve a better functioning GEF in the programming and preapproval phases of key decisions on GEF funding.

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2 The GEF fiscal year begins July 1 and ends June 30.



An illustration of three people in a forest. A woman in a white shirt and tan pants, wearing a red hard hat, stands holding a clipboard. A man in a white shirt is kneeling in the foreground, measuring a tree with a yellow tape measure. Another person is visible in the background. The scene is filled with green trees and a light sky.

# THE GEF PORTFOLIO

*The GEF brings clear added value to its role of solving global environmental problems. Its unique position as a financial mechanism of multilateral environmental agreements enables it to focus on priorities that have been agreed upon internationally and directly influence national governments on these issues. Its modalities are catalytic on three levels of support: foundation, demonstration, and investment. Its projects achieve a high level of satisfactory outcomes, and these outcomes show a high level of progress toward global environmental benefits. The GEF is achieving its mandate and objectives.*

**T**he GEF Trust Fund has been the primary source of funds for grants made by the GEF. The GEF also manages the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF). Including disbursements from the SCCF and the LDCF, the GEF has, since its inception, provided funding of approximately \$8.77 billion, of which 97.9 percent (\$8.59 billion) is from the GEF Trust Fund and the remainder from the LDCF and the SCCF (table 1).<sup>1</sup>

1 Table 1 includes data on all of these funds; the other tables and figures in this document include data for the GEF Trust Fund only. Throughout, data may not sum to totals because of rounding.

The majority of projects that have been funded from the GEF Trust Fund are in the biodiversity focal area (table 2). In dollar terms, however, the biodiversity share is almost identical to that of the climate change focal area: together, these two focal areas account for about a third of GEF funding committed to date (table 3). During GEF-3 and GEF-4, the share of funding allocated to these areas declined as that for multifocal projects increased; however, many of these multifocal projects, particularly those conducted through the SGP modality, addressed climate change and biodiversity considerations. Resource utilization in climate change and biodiversity has slowed slightly following the establishment of the Resource Allocation Framework.

**TABLE 1 GEF PROJECT FUNDING BY FUND (MILLION \$)**

FUND	PILOT PHASE	GEF-1	GEF-2	GEF-3	GEF-4	ALL PHASES
GEF Trust Fund	726	1,228	1,857	2,784	1,996	8,590
LDCF	0	0	0	6	88	95
SCCF	0	0	0	14	72	87
Total	726	1,228	1,857	2,804	2,156	8,772

Source: GEF Project Management Information System, through June 30, 2009.

**TABLE 2 NUMBER OF PROJECTS BY FOCAL AREA**

FOCAL AREA	PILOT PHASE	GEF-1	GEF-2	GEF-3	GEF-4	ALL PHASES
Climate change	41	141	215	166	96	659
Biodiversity	57	206	286	240	157	946
International waters	13	13	47	48	51	172
Ozone layer depletion	2	12	7	3	2	26
Persistent organic pollutants	0	0	45	96	59	200
Land degradation	0	0	0	45	31	76
Multifocal	1	6	28	195	80	310
All focal areas	114	378	628	793	476	2,389

Source: GEF Project Management Information System, through June 30, 2009.

**TABLE 3 GEF FUNDING BY FOCAL AREA**

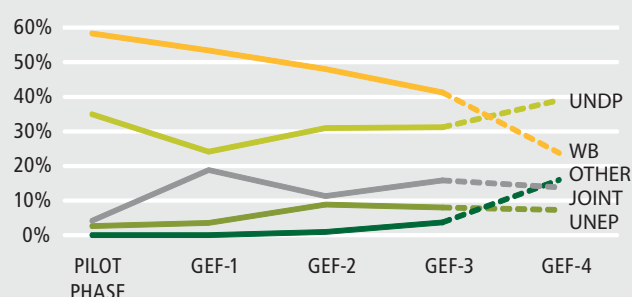
FOCAL AREA	FUNDING (MILLION \$)	%
Climate change	2,743	31.9
Biodiversity	2,792	32.5
International waters	1,065	12.4
Ozone layer depletion	180	2.1
Persistent organic pollutants	358	4.2
Land degradation	339	3.9
Multifocal	1,114	13.0
All focal areas	8,591	100.0

Source: GEF Project Management Information System, through June 30, 2009.

A remarkable trend in terms of GEF funding by Agency has been the decline in share for the World Bank. During the GEF's pilot phase, the World Bank accounted for 58.3 percent of GEF funding. Its share has been declining steadily since. The pace of decline accelerated during GEF-4, and the World Bank now accounts for less than a fourth of total funding provided by the GEF (figure 1). The diminution in the World Bank share is spread across all GEF focal areas.

The GEF provides funding through four basic modalities: full-size projects, medium-size projects, enabling activities, and small grants (through the SGP). Full-size projects account for 87 percent of

GEF project funding. In recent years, there has been some increase in the share of SGP funding; this is because SGP funding is front loaded — that is, funds are made available to the SGP for further distribution through grants, whereas project concepts funded through other modalities need to be fully developed before funding can be approved. When the GEF-4 replenishment period ends, the SGP relative share will revert back to its GEF-3 level. The share of enabling activities has dropped substantially in GEF-4 from previous periods (table 4); this is because of changes in convention requirements.

**FIGURE 1 GEF FUNDING SHARE BY AGENCY**

Source: GEF Project Management Information System, through June 30, 2009.

Note: Dotted lines indicate the trend for GEF-4. UNDP = United Nations Development Programme; UNEP = United Nations Environment Programme; WB = World Bank.

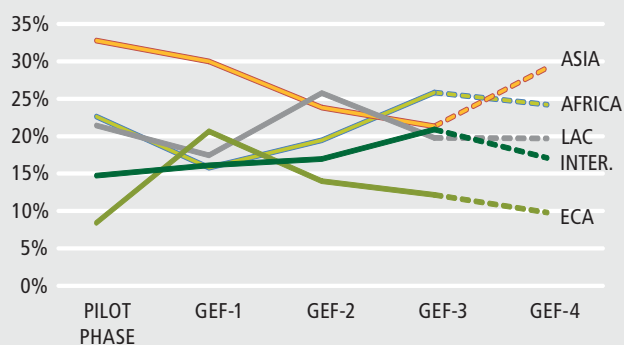
**TABLE 4 GEF FUNDING BY MODALITY (MILLION \$)**

MODALITY	PILOT PHASE	GEF-1	GEF-2	GEF-3	GEF-4	ALL PHASES
Full-size projects	678	1,126	1,566	2,351	1,719	7,440
Medium-size projects	0	7	124	136	104	371
Enabling activities	35	69	91	132	7	334
SGP	13	26	75	165	166	446
Total	726	1,228	1,857	2,784	1,996	8,590

Source: GEF Project Management Information System, through June 30, 2009.

Figure 2 shows changes in GEF funding share by regions across the GEF phases. From GEF-3 to GEF-4, there was a substantial increase in the share of funding for Asia, while funding to Europe and Central Asia dropped significantly; this is explained by a phasing out of support for ozone layer depletion projects and the accession of several countries to the European Union, as a result of which their need for support was reduced. The shares for Africa and for Latin America and the Caribbean have remained stable over time. There has been some decline in the share of interregional projects funded.

**FIGURE 2 GEF FUNDING SHARE BY REGION**



Source: GEF Project Management Information System, through June 30, 2009.

Note: Dotted lines indicate the trend for GEF-4. ECA = Europe and Central Asia; Inter. = Interregional; LAC = Latin America and the Caribbean.







# MAIN CONCLUSIONS AND RECOMMENDATIONS

The GEF in a Changing World

Progress to Impact

Issues Affecting Results

Governance and Partnership

*To the extent that its overall funding level permits, the GEF is **relevant** both to the conventions and to regional and national priorities.*

*GEF projects are **effective** in producing outcomes, with their average score over the GEF-4 period of 80 percent exceeding the international benchmark of 75 percent.*

*The **sustainability** of these outcomes, as measured by progress toward impact, is good — 70 percent of finished projects see progress toward global environmental benefits, although further follow-up action from national partners is essential to achieve these benefits.*

*The **efficiency** of the GEF can and should be further improved, with emphasis on programming, less time lost on project identification, better project formulation, an enhanced fee structure, more integrated learning, and a results-based management framework that includes progress to impact measurements.*

The findings and recommendations in this executive version are grouped according to the sections of the full report. First the GEF is placed in a changing world, in which its role and relevance are related to recent developments and international trends in funding. The second section deals with the progress being made toward impact, and the existing evaluative evidence for that progress. The third section tackles performance issues. Governance and partnership are the subject of the closing section of this chapter.

## THE GEF IN A CHANGING WORLD

Global environmental problems are worsening rather than improving: from climate change to species extinction; from pollution to degraded ecosystem services to provide air, food, and water; to new threats to the ozone layer. Since these problems concern public goods, public funding must play a key role in addressing the issues. However, while the money available for international cooperation has increased substantially in recent years, funding for the environment in general and for the GEF in particular has decreased in real terms. This section of the report deals with these issues.

### CONCLUSION 1

**Global environmental trends continue to spiral downward.**

The end of GEF-4 and the onset of a new replenishment coincide with a period in which the planet is facing unprecedented challenges on many fronts. Continuation of the essential services supplied by the Earth's healthy ecosystems — including the provision of food, fuel, and fiber; the regulation of climate and water; and support of primary functions such as soil formation and nutrient cycling — is no longer ensured. The demands of our

*OPS4 contains evidence that the GEF is underfunded in four distinct ways:*

- *Authoritative cost assessments show that there is a huge funding gap between what needs to be done to solve global environmental problems and what is currently available.*
- *The replenishments of the GEF have leveled off, while the purchasing power of GEF funds has been reduced by 17 percent since 1994, two focal areas have been added, more than 100 requests and directives have been received from the conventions, and the GEF has become operational in many more countries since its inception.*
- *The GEF's modalities of support have not been fully extended to the least developed countries, to small island developing states, and to fragile states.*
- *The problems in the approval process for new projects in the years up to 2007 have been caused by the lack of sufficient funds; solid project ideas had to wait up to six years to get funded. These problems have recently returned when the process of preparing new projects was temporarily halted until new funds would become available.*

*OPS4 recommends that a substantial increase in funding would be achieved in the fifth replenishment of the GEF, or the GEF will need to reduce support dramatically to focal areas, groups of countries, or modalities. If the GEF-5 replenishment recommendations include strong proposals concerning programming, efficiency, and partnership, this report supports the highest level of replenishment for the GEF.*

ever-growing human population for food, water, and energy and the inevitable escalating pressures brought to bear in meeting these needs have ushered in an era of growing threats to the overall security of our life support systems. This unprecedented stress on our ecological infrastructure places the guarantee of continued ecosystem services under severe threat. In so doing, it puts at risk the health, livelihoods, and well-being of all people — especially the world's poorest and most vulnerable inhabitants. The failure of market forces to ensure

the sustainability of our global economy and the desperate need to lift billions out of poverty only add to this instability and signal a clear and urgent call for redoubling effective, innovative, and catalytic action to halt and reverse these trends.

The GEF was created to provide new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits. This mission has remained in place over the years with the addition of new partners, focal areas, strategic priorities, and guidance from the conventions. Given recent growth in the extent, complexity, and magnitude of the problems, this mission is more relevant than ever. Funding needs on global environmental issues within the GEF mandate are increasing dramatically. Disbursements for tackling development issues through international cooperation have increased, while international funding for environmental issues — whether global or national — has decreased. Public funding is vital, because these problems can only be solved through partnerships with governments, civil society, the private sector, and local communities.

The most up-to-date information from the Organisation for Economic Co-operation and Development shows that, although the availability of overall international funding for official development assistance (ODA) experienced a surge in the years 2002 to 2005, there was a decline in general funding of core environmental and related issues. Although the full impact of the current financial crisis is not yet known, it may well lead to a decrease in overall commitments; such a decline is not yet apparent.

#### **RECOMMENDATION 1**

**Funding levels for global environmental issues need to rise substantially in order to tackle increasingly urgent problems.**

The world community may decide on ways other than the GEF to finance and create solutions to global environmental problems. The first recommendation of OPS4 does not make the case for the GEF yet; it simply states that the world community is, at this point in time, not doing enough to solve the problems, and that this conclusion is worrying, to say the least. In principle, many solutions are now available and are not beyond current technical knowledge. The issue may be that the solutions are expensive and go against ingrained economic interests. On the other hand, not solving the problems will be more expensive in the long run and endangers mankind's future livelihood on the planet, posing particular dangers to the poor and to developing countries.

Increased need has not been sufficient motivation in the past for GEF funding. Historically, the GEF has not been very effective in mobilizing resources; funds for all subsequent replenishments following GEF-2 have decreased in real terms. Furthermore, although developed country donors have provided new and additional funding for global environmental benefits to developing countries, this has been insufficient to cover the growing agenda of the GEF as agreed upon in the conventions.

#### **CONCLUSION 2**

**The GEF has been underfunded since GEF-2, given the scope of its agenda, the guidance of the conventions, and its mode of operation.**

A variety of evidence indicates that the GEF is underfunded. Donors have kept their pledges to the GEF at the same level in both GEF-3 and GEF-4, reflecting the lower priority they attach to the environment in general and to global environmental issues in particular. The multilateral environmental agreements the GEF serves, which were agreed

to by these same donors, have continued to ask more of the GEF; consequently, the GEF is now only minimally active in many areas. For example, the strategy for the international waters focal area requires up-scaling from foundation to demonstration to catalyzing investment, but its allocation in GEF-4 went down. Least developed countries, small island developing states, and fragile states are receiving insufficient support on demonstration and investment activities, due to the low levels of allocations for these countries. Lastly, past project cycle inefficiencies were often caused by a lack of money to fund projects that were ready for approval: when approvals took place on a first-come first-served basis, proposals had to wait until new funds became available before they could be approved.

Conclusion 1 described a decline in ODA for funding of environmental issues. A similar decline is observed in donor funding for the GEF, which decreased from 0.67 percent of ODA in GEF-1 and GEF-2 to an estimated 0.38 percent of ODA in GEF-4 (table 5). The comparison is noteworthy, even if 45 percent of GEF funding is not considered to be ODA. As the table shows, the purchasing power of GEF replenishments has gone down over time, exacerbating the funding declines.

## RECOMMENDATION 2

**The GEF-5 replenishment needs to offer a substantial increase over GEF-4, or the GEF will need to reduce support dramatically to focal areas, groups of countries, or modalities.**

The GEF model of foundational support, demonstration, and investment incorporates an organic growth in funding to countries until a concern for global environmental issues has been fully incorporated and mainstreamed in the national sustainable development agenda. Although some of the larger recipients of GEF funding are clearly moving in this direction, it is also obvious that many countries are still a long way from graduating from the GEF. Also, many countries in the GEF system are still awaiting further support on demonstration of approaches, market barrier removal, and introduction of new technologies and are not yet ready to scale up GEF initiatives to the national level. Maintenance of the same level of funding in GEF-5 would pose challenges. The review of progress toward impact shows that the scale of interventions matters and that several GEF support efforts may have failed because of lower funding amounts or reduced geographic scope.

**TABLE 5 GEF REPLENISHMENTS AND TRENDS IN ODA (MILLION \$)**

FUNDING	PILOT PHASE	GEF-1	GEF-2	GEF-3	GEF-4 <sup>a</sup>
Total ODA	304,725	302,595	280,529	416,132	283,278
GEF funding pledged by donors	843	2,015	1,983	2,211	2,289
GEF funding received from donors	843	2,012	1,687	2,095	2,169
Purchasing power (%)		100	78	90	83
GEF replenishments as % of ODA	0.28	0.67	0.60	0.50	0.38

Sources: ODA data and dollar deflator from the Organisation for Economic Co-operation and Development; GEF replenishment data from the GEF Trustee. GEF Project Management Information System, through June 30, 2009.

a. Based on a moving average; pledge 2006 instruments for one-quarter of GEF-4 deposited by fiscal year 2007, some in 2006 prior to end fiscal year in certain countries. As ODA commitments and not disbursements have been used, data are regarded as compatible.

## DONOR PERFORMANCE IN THE GEF

*The full report of OPS4 contains a historical overview of all GEF replenishments to date. It concludes that the most recent replenishment in 2006 was based on a burden-sharing formula that originated in 1994; other international financial institutions, such as the World Bank and the regional development banks, have since negotiated new formulas to reflect changes in the economic and financial distribution of wealth in the world. Continuing the old formula for future replenishments of the GEF would mean that countries that have suffered economic setbacks would be required to pay more than their fair share.*

*An innovative review of burden sharing and donor commitments was conducted in OPS4 by comparing donors' contributions to the GEF with other international commitments they provide through replenishments and grants to the United Nations (which has a burden-sharing formula based on wealth comparison) and to the World Bank's International Development Association (which has a substantially different burden-sharing formula from that used in 1994), as well as with the core environmental support they provide in their overall ODA; this latter provides an indication of the political priority donors attach to environmental issues in international cooperation.*

*The review was based on publicly available data and did not provide any evaluative judgment. However, it was interesting to note that almost all donors consistently contributed as promised. Some small donors outperformed larger donors by giving a relatively high priority to their contributions to the GEF. A few donor countries consistently attached a low priority to the GEF replenishments. Only a few middle-income countries support the GEF through a contribution, but, in general, their contribution reflects a high relative priority accorded to supporting the GEF.*

If funding levels remain the same, the GEF would need to prioritize its support so as to continue to achieve impact. This prioritization could potentially involve reducing the number of focal areas, restricting modalities to certain groups of countries, or reducing support to a limited group of countries.

### CONCLUSION 3

**The GEF's link to international environmental agreements as a financial mechanism is an added value in tackling global environmental problems.**

The GEF has a relatively unique position among international funding agencies in that it is a financial mechanism for several multilateral environmental agreements. This gives it a strong mandate to support actions in countries on global environmental issues. On the one hand, with support from donors, it addresses problems that have been recognized internationally as urgent; on the other,

the countries that receive support are signatories to the conventions and have agreed to take action. In principle, this means that the GEF, donors, and recipient countries form a strong partnership to address common goals.

The GEF is the primary funding source for implementation of the convention on biodiversity, the convention on persistent organic pollutants, and the convention for combating desertification. New sources of funding have emerged for climate change initiatives, but they are not yet fully operational.

The GEF continues to respond to guidance from the various conventions by adapting its strategies, policies, and procedures and by approving projects. Guidance to the GEF continues to accumulate, although some conventions are moving toward clustering guidance into strategies. The Resource Allocation Framework has hindered many countries' access to the GEF, particularly in the climate change focal area.

Steps have been taken to improve the relationship between the GEF and the conventions and their secretariats, but more can and should be done.

### RECOMMENDATION 3

**The GEF and the conventions need to interact to improve and focus guidance. Guidance should be prioritized at the national level.**

Significant measures have been taken to improve communication between the GEF and the conventions. This initiative should continue and should focus on improving the quality of convention guidance. The GEF's future allocation system should ensure exclusions for national communications to

the conventions, since these are mandatory and supposed to be paid in full by the GEF. The GEF should be responsive to new guidance received between replenishments, either by including an unallocated amount in its replenishment or by accepting additional funds between replenishments to enable implementation of the new guidance. Reporting from the GEF to the conventions should include a critical assessment of the GEF's experience with project implementation, as well as its experience with incorporating conference of the parties guidance into its strategies and program priorities.

OPS4 has tracked all guidance given thus far to the GEF, including for the LDCF and the SCCF; this is compiled in table 6. The historical burden of guidance has now reached 317 requests (articles within

**TABLE 6 NUMBER OF ARTICLES WITHIN GUIDANCE DECISIONS**

YEAR	UNITED NATIONS CONVENTION ON CLIMATE CHANGE	CONVENTION ON BIOLOGICAL DIVERSITY	STOCKHOLM CONVENTION ON PERSISTENT ORGANIC POLLUTANTS	UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION
1994		12 (1)		
1995	10 (1)	4 (2)		
1996	10 (2)	8 (3)		
1997	2 (3)			
1998	9 (4)	6 (4)		
1999	5 (5)			
2000	3 (6)	4 (5)		
2001	10 (7)			5 (5)
2002	19 (8)	13 (6)		
2003	3 (9)			6 (6)
2004	48 (10)	10 (7)		
2005	7 (11)		5 (1)	10 (7)
2006	13 (12)	14 (8)	12 (2)	
2007	9 (13)		17 (3)	9 (8)
2008	12 (14)	7 (9)		
2009			15 (4)	
Total	160	78	49	30

Source: Conference of the parties decisions as published on the conventions' Web sites.

Note: Guidance decisions are made at conferences of the parties to the conventions; the number of the conference at which the decisions were taken is provided in parentheses.

decisions), about half of which is from the climate change convention. Although the guidance differs in nature, density of paragraphs, and significance from article to article and from decision to decision, the number of articles overall is high. For the GEF to be responsive to the conventions, it must make all of this guidance operational, which poses something of a problem given the sheer volume of material to be absorbed. Priority setting is often a problem, particularly in light of the political nature of the debates involved and the various interest groups represented.

National governments should take the lead in prioritizing implementation of guidance from the conventions. Issues eligible for GEF support can be identified through this process. Convention focal points need further involvement in the GEF at the national level (that is, GEF committees should require participation of convention focal points) and at the global level.

#### CONCLUSION 4

The GEF's mode of operation through three levels of action — foundation, demonstration, and investment — brings an added value to its catalytic role.

The GEF's catalytic role — one of its defining principles as codified in the GEF Instrument — is embodied in its three-pronged approach of **foundation** activities, focusing on creating an enabling environment; **demonstration** activities, which are innovative and show how new approaches and market changes can work; through to **investment** activities that scale these up to a national level to achieve sustainable global environmental benefits.

OPS4 has categorized all GEF activities from the pilot phase to June 30, 2009, and concludes that this foundation-demonstration-investment approach has worked well in middle-income countries. In small island developing states, least developed countries, and fragile states, however, the GEF is more or less stuck at the level of laying a foundation for future work, with some efforts made toward demonstrating innovation and market barrier removal; investment has been made for only a few countries in these groups. If the GEF continues at its current funding level, this practice will also continue. Because most global benefits can be gained in middle-income countries, OPS4 does not advocate ceasing to work in those countries. But current funding does not allow support to grow to levels that would implement good policies, promise new approaches, and ensure market transformation in many countries, as table 7 shows.

**TABLE 7 DISTRIBUTION OF GEF NATIONAL PROJECTS BY ACTIVITY CATEGORY FOR VARIOUS COUNTRY GROUPS (%)**

ACTIVITY CATEGORY	FRAGILE STATES	SMALL ISLAND DEVELOPING STATES	LEAST DEVELOPED COUNTRIES	LAND-LOCKED COUNTRIES	OTHER COUNTRIES <sup>a</sup>	ALL NATIONAL PROJECTS
Foundational	69	75	61	53	35	47
Demonstration	23	21	30	39	52	43
Investment	6	3	7	6	11	9
Unable to assess	1	1	2	2	2	2
Total	100	100	100	100	100	100

Source: GEF Project Management Information System, through June 30, 2009.

a. Other countries are those that are not fragile, small island developing states, least developed countries, or landlocked countries.

Proposals to focus more exclusively on demonstration to the detriment of foundation and investment activities will reduce the GEF's catalytic effect and the sustainability of global environmental benefits achieved. Calculations made in the Evaluation Office's ozone-depleting substances impact evaluation show that, without the catalytic role of investments, 40 percent less reduction in ozone-depleting substances would potentially have been achieved.

The catalytic role of the GEF is well established at the strategic level, yet has not been translated into guidance for project design and has not led to tracking instruments to ensure that these effects are monitored during implementation and measured after projects end.

The GEF performs its catalytic role by helping governments address global environmental issues in their countries through enabling and foundational activities that lead to changes in national policies, agendas, and priorities. The GEF then demonstrates how new policies could lead to improved environmental management and market changes. These successful approaches are subsequently scaled up to a national level. In least developed countries, small island developing states, and fragile states, the GEF has not moved sufficiently into demonstration and scaling up, because the level of resources available is insufficient to allow this.

#### RECOMMENDATION 4

**The catalytic role of the GEF can be strengthened by increasing its funding level and by incorporating catalytic lessons in improved guidance and monitoring.**

Funding levels in the GEF need to be increased substantially so it can play its catalytic role to the fullest extent in all recipient countries, and thereby ensure that global environmental benefits are achieved.

## EVIDENCE ON THE CATALYTIC ROLE OF THE GEF

*A large GEF project, supported by a GEF grant of \$7.9 million and cofunding of \$10.55 million, aimed at conserving energy and reducing greenhouse gas emissions in villages and towns throughout China by introducing new technologies to local enterprises for brick- and cement-making, as well as for use in coking and metal casting. The project, which closed in 2007, supported the replication of the successfully introduced technologies in 118 locations.*

*China's National Center for Science and Technology Evaluation took this project as an OPS4 case study to evaluate the GEF's catalytic role. It found that, beyond the original locations, an estimated 500 additional replications had taken place. The extremely high rate of replication was found to be due to four key factors:*

- *Appropriate technology was selected that was both cheaper and more efficient than the existing technology; this provided a strong incentive for local enterprises to adopt the new technologies.*
- *Local authorities lent strong support by providing additional incentives and promoting the use of the new technologies through regulation.*
- *Initial successes created market demand.*
- *Adaptable and flexible funding was made available by banks eager to get involved: the original \$4 million available for loans was increased over time to more than \$28 million through additional loan facilities of Chinese banks.*

*Similarly, another OPS4 case study looked at the Uruguay landfill methane recovery demonstration project and found that at least 10 projects in South America have been designed and implemented based on the original project.*

*Projects: Energy Conservation and GHG Emission Reduction in Chinese Township and Village Enterprises (GEF ID 263); Landfill Methane Recovery Demonstration Project (GEF ID 766)*

The GEF's catalytic role is most evident in the strategy pursued in the international waters focal area; other focal areas could benefit from incorporating elements of this strategy. In the climate change and

biodiversity areas, a better recognition of the role of enabling activities could lead to increased country ownership of support.

Guidance on how to design, implement, and monitor and evaluate a project in view of its catalytic role should be encouraged to ensure better tracking and measurement of the GEF's catalytic effect. The Evaluation Office will encourage this by making its methodological framework, data, and findings available for further discussion and elaboration among the GEF partners.

#### **CONCLUSION 5**

**GEF support is relevant to national environmental and sustainable development priorities as well as to international and regional processes.**

Country ownership is one of the GEF principles related to its relevance to national priorities. OPS4 defined country ownership in terms of the extent to which GEF support is embedded within national or local priorities, and found several examples of such linkages. For example, the GEF has supported the development and implementation of protected area systems; has introduced climate change to national agendas (beginning with enabling activities); has assisted in the development and implementation of climate change policies, such as for energy efficiency and renewable energy, which are helping countries improve their energy choices; and has funded the preparation of national implementing plans to help countries identify persistent organic pollutants and bring them into the national agenda.

Evidence, mainly obtained through country portfolio evaluations and OPS4 country case studies, shows that countries have used GEF support to introduce new environmental policies and requisite environmental legislation and regulatory

frameworks. However, for most countries, the available GEF funding is insufficient for implementing national priorities and convention guidance on adaptation, biosafety, and land degradation.

There is no evidence that the increasing emphasis on national ownership in the GEF leads to reduced attention to global environmental issues. On the other hand, when choosing which issues to address, there are currently no incentives for countries to collaborate on regional and transboundary issues.

#### **RECOMMENDATION 5**

**The GEF should further develop programming at the national level by supporting the creation of GEF national committees and GEF national business plans.**

To achieve global environmental benefits, the GEF and its Agencies collaborate with the GEF's most important partners: governments, civil society, the private sector, and local communities in recipient countries. The average five-year support of a GEF-funded activity is not enough to ensure sufficient scale and sustainability of global benefits in energy efficiency, use of renewable energy, protected areas, improved land management, reduced threats to international waters, and reduced threats to the ozone layer and to the health of humans and the environment by persistent organic pollutants. In almost all cases, the GEF sets in motion and starts up activities that need to be incorporated into policies, strategies, practices, and livelihoods — activities that rely on input and decision making from stakeholders in government, civil society, the private sector, and local communities.

The partnership between the GEF and local actors could be enhanced to strengthen progress toward impact. The reviews of outcome toward impact (presented in section 3 of the full report) show that

actions taken after the conclusion of GEF support will ensure further progress. Furthermore, outcomes that show no or little progress may be turned around through follow-up actions. In many cases, remedial actions have been taken following suggestions from terminal evaluations. More can be done, however, and the GEF and the country should focus on this.

Country portfolio evaluations show that GEF Agencies do not always integrate their GEF activities into either national support strategies or the United Nations framework for support to the country in question. In several cases, GEF grants are kept more or less separate and out of the mainstream of the discussion of the country by the international community of donors. Several recipient countries do not sufficiently coordinate activities undertaken on environmental issues by various agencies and donors. Although there is a noticeable increase in national coordinating committees and in involving ministries beyond that for the environment along with other stakeholders, this is not yet standard practice. A national mechanism for interacting with GEF Agencies and other relevant donors is vital to ensure that GEF and other environmental support is fully in line with and incorporated into national priorities and strategies.

Programming at the national level could support global and regional projects and programmatic approaches. If priorities set at the national level clearly identify transboundary problems — as several country portfolio evaluations have indicated over time — an approach focused on such problems could be used to ensure a higher level of relevance and country ownership of global and regional projects and programmatic approaches. The strategic framework of the international waters focal area could be helpful in this regard. This approach also includes incentives for countries to collaborate in tackling global and regional environmental problems.

The partnership model and the catalytic role of the GEF are in line with approaches advocated in the Paris Declaration and the Accra Agenda for Action for improving aid effectiveness and country ownership. However, the *modus operandi* of the GEF through project support is not similarly in sync; the GEF needs to move toward a programmatic mode of operation. Programming in the GEF has historically been at the focal area level. The introduction of the Resource Allocation Framework has occasioned a shift toward national programming. This shift should be completed.

If the move is made toward programming of support, the GEF would be capable of channeling substantial amounts toward agreed-upon global environmental benefits through the GEF Agencies, most of which have a solid track record of delivering high levels of support to countries. It is of course possible to channel the same amounts directly through the Agencies rather than through the GEF; by so doing, however, the focus on global environmental benefits could be reduced or even lost, because this focus is not most Agencies' primary concern.

## PROGRESS TO IMPACT

Unique among international institutions, the GEF has independently verified evaluative evidence on the progress toward impact of its full portfolio. An impact review methodology was developed for OPS4 to study the existing evaluative evidence on impact in the full portfolio of the GEF. Additional fieldwork was undertaken to verify findings. Furthermore, a full-scale impact evaluation of ozone-depleting substances was conducted. From these, lessons and indicators should be derived for a results-based management framework, including with regard to monitoring, evaluation, scientific advice, and learning. Thus fortified, a results-based management framework will enable the GEF to report on performance, outcomes, progress toward impact, and global environmental benefits achieved.

## THE MEANING OF IMPACT

*Many GEF projects achieve their first impacts during their lifetime or upon completion. So why does OPS4 not simply report on impacts achieved? This is because the full impact of most projects will only be achieved over many years. A good example is the ozone layer, which scientists have calculated will take 50 years to fully recover. Many other environmental problems take up to 20 or 30 years to be fully solved, such as restoring the health of a fragile ecosystem, or replenishing fish stocks in an overfished area. Projects may show definite impact at the end of their implementation — for example, through safeguarding a particular endangered species in a fragile ecosystem. They may also have created conditions under which impact will appear in the future — for example, by creating an enforced no-fishing zone which will allow remaining stock to grow over time. Many of these initial impacts are of a small scale and not in themselves sufficient to ensure the longer term success of the intervention. After a project has ended, it is up to the national government and local communities to ensure that a fragile ecosystem continues to be able to recuperate, that markets continue to grow, that greenhouse gas reductions increase, and so on. Their actions will ensure the final, large-scale impact that projects were meant to achieve in the longer run.*

### CONCLUSION 6

**Seventy percent of finished projects show moderate to solid progress toward impact.**

OPS4 has reviewed all finished projects whose terminal evaluations were presented to the Evaluation Office since fiscal year 2005. The review methodology was derived from the Office's impact evaluations and has been field tested and peer reviewed, as well as checked against the well-established methodology of rating terminal evaluations. The resulting review of progress toward impact shows that 70 percent of projects' outcomes show definite progress toward impact. This finding cannot be compared to an international benchmark, because the GEF is the first international organization to independently report on progress toward impact at the portfolio level.

The positive rate of progress toward impact is encouraging, because it assures donors and recipients that global environmental benefits can and will be achieved if this progress continues to be supported. A crucial time horizon must be taken into account in this regard. In general, global environmental benefits can be measured relatively quickly in the focal areas of climate change, ozone layer depletion, and persistent organic pollutants. They require a much longer time to appear in the biodiversity, international waters, and land degradation focal areas. Nevertheless, evidence of impact exists in *all* GEF focal areas; in the short term, they are not yet at a sufficient scale. The evidence of short-term impact does demonstrate that GEF-supported interventions work and will continue to produce benefits if supported.

Worsening global environmental trends provide many counterfactuals to GEF support. Within countries receiving GEF support, biodiversity losses continue in areas that are not supported through the GEF. In climate change, trends in greenhouse gas emissions cannot be influenced directly by GEF support — however successful — given the relatively low level of funding received compared to that needed. In other focal areas, GEF efforts are successful but insufficient to affect global trends. Ozone-depleting substances may provide an interesting illustration in this regard. While the Multilateral Fund of the Montreal Protocol, the GEF, and developed countries together may have succeeded in tackling threats to the ozone layer as identified in the protocol, climate change and new threats have been added to the agenda as they have emerged, and the battle is far from resolved.

Thirty percent of GEF projects show no progress from outcomes to impact. Yet even here, there is evidence that impact could be achieved if remedial actions were taken. Bigger projects, as measured by their level of funding, achieve better progress toward impact, while smaller projects do not score

## SPECIES EXTINCTION HALTED NEAR CAPE OF GOOD HOPE

*The GEF provided a grant of \$12 million through the World Bank to South Africa to support the conservation of biodiversity in its Cape Floral region; South Africa provided cofunding of \$79 million. The project's objective was to ensure the rehabilitation and sustainable protection of globally significant flora and related fauna of the Cape peninsula, including its surrounding marine ecosystems, and to initiate planning and conservation activities for the entire region. Major focus of the project was the Table Mountain National Park. At the project's end, threats to biodiversity in the park from invasive alien species, unmanaged fires, and unmanaged tourist use were significantly reduced. Additionally, local communities profited from increased tourism in the area; a marine protected area was established; and access to data and information — and understanding of relevant factors for effective management of the national park for biodiversity conservation — were improved.*

*Among the immediate impacts achieved were the following:*

- *No tracked species have gone extinct since the project began.*
- *Some endangered species have expanded their range and numbers, and some species were reintroduced; 85 percent of invasive species were cleared, and additional government funds were made available to clear the remainder.*
- *The fire service has become increasingly effective at controlling wildfires.*

*The sustained effective management of terrestrial and marine Cape ecosystems for conservation of globally significant biodiversity shows solid progress toward larger scale impact.*

*Project: South Africa Cape Peninsula Biodiversity Conservation Project (GEF ID 134)*

that well. This finding leads to the hypothesis that some of the smaller projects were actually underfunded and, as a result, were not able to build sufficient critical mass or work at a scale that would enable progress toward impact.

### RECOMMENDATION 6

**Progress toward impact in GEF-supported outcomes shows the value of a portfolio approach at the national level, which enables recipient countries to fully support and maximize progress toward global environmental benefits.**

To reach their full potential contribution toward global environmental benefits, GEF projects need to be designed and implemented as much as possible to ensure local ownership, continued government support, and ongoing availability of funding after project closure. No one project can guarantee the support of these actors; there is thus much value in a portfolio approach at the national level. Currently, such an approach is taken only in larger GEF recipient countries. A portfolio approach that incorporates national GEF programming and follow-up, including monitoring, supervision, and evaluation, will enable recipient countries to fully support and maximize progress toward global environmental benefits.

# Evaluative Evidence on Impact by Focal Area

**CLIMATE CHANGE.** GEF climate change funding has supported a solid level of achievement of progress toward intended global environmental benefits, both in terms of reduction or avoidance of greenhouse gas emissions and of sustainable market changes. For example, the Energy Conservation Project in China achieved total energy savings directly from the project amounting to 5.92 million tons of coal equivalent by the end of 2006, exceeding the target of 5.22 million tons of coal equivalent. Associated carbon dioxide emissions reductions already achieved amounted to 5.06 million tons, against a target of 3.77 million tons. Despite the overall achievements of its portfolio, the GEF contribution to reduction in greenhouse gas emissions is quite small compared to that needed at the global level to ensure an impact on future climate change and a more sustainable development path.

Projects that show better progress toward global environmental benefits demonstrate more specific attention in their design and/or implementation to steps necessary to catalyze government commitment from national to local levels; coherent financial, policy, tariff, and/or tax incentives to influence the market; commitment of the resources needed to scale up project benefits; and measures to generate and encourage the lasting commitment of key national stakeholders. Progress toward global environmental benefits also depends on ongoing and long-term support from governments, the private sector, and local communities after project completion.



**BIODIVERSITY.** The GEF has been responsive to guidance of the biodiversity convention, particularly on issues related to conservation and sustainable use (protected areas and mainstreaming biodiversity in production sectors). Access to biosafety funding has not kept up with potential demand.

About 70 percent of the completed projects reviewed in this focal area have made some progress toward global environmental benefits, with 40 percent making strong progress. The remaining 30 percent of projects have made no progress yet. Projects with greater progress toward global environmental benefits paid more specific attention in their design and/or implementation to ensure effective, fully operational local ownership before project completion. Progress toward global environmental benefits crucially depends on ongoing and long-term support from governments, the private sector, and local communities after project termination.

### COMMUNITIES TAKE CARE OF THEIR UNIQUE FOREST IN MICRONESIA

*The GEF provided a \$750,000 grant through the United Nations Development Programme, which provided cofunding of \$1.45 million, to ensure long-term conservation of Pohnpei's globally significant terrestrial and marine biodiversity. A key target of the project was preservation of the Watershed Forest Reserve, an upland forest area of high biodiversity value threatened by destructive kava cultivation. The project focused on establishing a "green" lowland kava industry, which reduced the pressure on the upland forests. To this end, a community-based conservation monitoring and enforcement program was developed to improve community resource management and related decision making. In response, 42 percent of upland farmers moved to the lowlands to farm; many who remained significantly reduced their clearing of forests, and a portion of these plan to move to the lowlands once they had harvested their year's crop.*

*Early evidence shows a positive impact on the status of the upland forests. Because the project was implemented by a dedicated and capable local nongovernmental organization which plans to continue the work with the resources it has available, the effort has a solid basis for progress toward the ultimate impact of restoring a sustainable rich biodiversity in the upland forests. Moreover, the project's innovative, community-based approaches have been disseminated to other federal states of Micronesia.*

*Project: Community Conservation and Compatible Enterprise Development on Pohnpei, Federated States of Micronesia (GEF ID 21)*

**INTERNATIONAL WATERS.** The conditions in the early 1990s that gave rise to the GEF and the creation of its international waters focal area have not abated, and there are new challenges that make the GEF's work in this area highly relevant. The GEF has been instrumental in promoting new international and regional agreements on transboundary water bodies and has catalyzed the implementation of several existing agreements, thus helping set the stage for national policy changes that can lead to reduced ecological stress. Independently verified evidence exists that GEF projects are contributing to the reduction of pollution stresses in many international water bodies.

Key factors that promote or hinder progress toward impact are direct engagement with industrial and agricultural interests to ensure stress reduction, relevance to national priorities to ensure sustainable and increasing national financial support, and a robust understanding of ecosystem services through the development of scientifically sound transboundary diagnostic analyses. Progress toward global environmental benefits is particularly difficult when all the countries in a given catchment area or bordering the water body do not participate in the project at hand. Such projects should focus on including the remaining countries before proceeding to the investment stage.

## HIGHLIGHT

### GEF SUPPORT REDUCES ENVIRONMENTAL PROBLEMS IN INTERNATIONAL WATER BODIES

*Several initiatives in the international waters focal area have yielded strong short-term impacts, with longer term solutions likely given continuing support:*

- *In Lake Victoria, a GEF project succeeded in removing more than 80 percent of hyacinth in targeted areas and in a variety of wastewater treatment system improvements, with evidence of reduced pollution loading. Stresses on the system remain, however. Water levels are lowering due to regional drought, hyacinths have grown back in many areas, the Nile perch continue to crowd out native fish species, and the pace of improvement in sanitation systems has been slow. Consequently, the GEF is now implementing a new project here, and the participants have been expanded to include Rwanda and Burundi.*
- *The GEF's Baltic Sea initiative included 21 demonstration projects providing on-farm management measures aimed at reducing nutrient loading. The project demonstrated catalytic impacts, with an additional 48 farms developing management measures without GEF assistance. The project also led to the reported restoration of 320 hectares of coastal wetlands.*
- *The Romania Agriculture Pollution project demonstrated a 15 percent decrease in nitrogen and a 27 percent decrease in phosphorus discharge into surface and ground waters in the demonstration areas, with an expectation of high replication and follow-on third-party financing.*

*Projects: Lake Victoria Environmental Management (GEF ID 88), Baltic Sea Regional Project (GEF ID 922), Agricultural Pollution Control Project under World Bank–GEF Strategic Partnership for Nutrient Reduction in the Danube River and Black Sea (GEF ID 1159)*

The phased approach to foundation, demonstration, and investment activities in international waters should provide inspiration to other focal areas to better integrate foundational and enabling activities in their strategies in line with relevant convention guidance.

**OZONE-DEPLETING SUBSTANCES.** GEF support for the phaseout of consumption and production of ozone-depleting substances in countries with economies in transition has made a contribution to global environmental benefits. The Russia Ozone Depleting Substances Phase-Out Project achieved an overall annual phaseout of 17,645 megatons of ozone depletion potential against a target of 15,354 megatons. Legislative and policy changes supporting phaseout provided a foundation for success and ensured sustainability. Private sector commitment was a critical driver in the success of GEF investments in this focal area in countries with economies in transition.

Illegal trade threatens to undermine gains made in ozone-depleting substances reduction in non-European Union countries with economies in transition. Halon recovery and stockpiling have been neglected in these countries as well; this should be rectified. In some countries, the national ozone units ceased to function after GEF support ended, which may prevent measures being put in place to address the remaining threats to the ozone layer. Also, destruction of stocks is weak — only 15 percent of countries actually destroy their stockpiled ozone-depleting substances.

### STRONG COLLABORATION BETWEEN GOVERNMENT AND PRIVATE SECTOR ENSURES IMPACT IN UKRAINE

*The GEF provided a grant of \$28 million through the World Bank, with cofunding of \$37 million, to assist Ukraine in phasing out the production and consumption of ozone-depleting substances. Specifically, the project provided Ukraine the means for conversion to internationally accepted substitute technologies in the high-consumption refrigeration and aerosol sectors. Moreover, the project established a firm basis for further progress toward long-term impacts by (1) demonstrating to firms that they could remain competitive in the domestic and export markets, despite changing to a new technology; and (2) helping the government put in place an effective monitoring and reporting system on ozone-depleting substances. Government commitment enabled this progress to continue after project closure, albeit with some delays in planned follow-up initiatives.*

*Project: Ukraine Ozone Depleting Substances Phase Out project (GEF ID 107)*

The GEF Council should consider further investment and capacity development to help countries with economies in transition address threats remaining to the ozone layer. The GEF should learn from its positive experiences of engaging with the private sector and incorporate similar approaches in efforts in other focal areas.

Non–European Union countries whose economies are in transition should consider improving the implementation of their legislation, policies, and standards on all aspects of ozone layer protection. Current efforts to prevent illegal trade must be further strengthened.

**PERSISTENT ORGANIC POLLUTANTS.** The GEF has been responsive to the guidance of the convention on persistent organic pollutants and is now moving into the next phase of support by providing funding toward the implementation of national plans.

**LAND DEGRADATION.** The land degradation focal area does not yet have a sufficient number of finished projects to enable conclusions on progress toward impact.

**MULTIFOCAL.** The multifocal area project cohort has a bias toward targeted research. Consequently, it scores relatively low in terms of progress toward impact. Multifocal projects that are more operationally oriented do score well and combine focal area problems in a practical way.



## ISSUES AFFECTING RESULTS

### CONCLUSION 7

**GEF projects achieve 80 percent moderately satisfactory and higher outcomes as compared to the benchmark norm of 75 percent, yet inefficiencies continue in the preapproval phase.**

Performance of GEF projects has exceeded the GEF target of 75 percent satisfactory outcomes; the average score since fiscal year 2005 is 80 percent. The challenge is now to move to higher levels of satisfactory outcomes. Project design and implementation can be improved by looking at how progress toward impact after project termination can be encouraged during a project's lifetime. The World Bank and the United Nations Development Programme continue to provide a satisfactory level of supervision to a high proportion of the GEF projects they implement. Supervision by the United Nations Environment Programme has improved significantly over time. On the other hand, social and gender issues in GEF strategies and projects are not addressed systematically, and the GEF cannot rely completely on the social and gender policies of its Agencies.

The new 22-month project cycle seems to be reducing approval time. Twenty-one months after the approval of the first work program in the new cycle, 77 percent of projects were presented to the GEF Chief Executive Officer (CEO) for endorsement. No data are available on the remaining 23 percent. In the new cycle, the 22-month period between project identification form (PIF) approval and CEO endorsement is mostly within the responsibility of the GEF Agencies and focal points.

Delays were noted in the period before proposal approval. PIFs tend to cycle back and forth between

Agencies and the GEF Secretariat before they are submitted for Council approval, with some inefficiency in communication. The Secretariat has adopted a 10-business-day standard for replies, which has been met for 56 percent of the PIFs received. The Agencies and project proponents have no comparable standard.

In January 2009, a new and improved GEF Project Management Information System was introduced. Following a concerted effort on the part of the Secretariat to update the database in June and July 2009, the system's core data can now be considered reliable, although structural quality checks are still lacking.

In GEF-3, the average duration of project approval reached the unacceptable time of more than four years. Provided quality standards were met, approval was granted on a first-come, first-served basis. However, if there was no money available for projects, the proposals had to wait — often, a very long time. Changing to a resource allocation system, which occurred in GEF-4, did not fundamentally address this problem. Rather, it now means that project proposals have to wait until they can even be entered into the pipeline.

### RECOMMENDATION 7

**GEF project performance should be further strengthened through improved guidelines, a better fee structure, and strengthening of social and gender issues.**

Several performance-related issues need to be incorporated in new guidelines, including

- the process and criteria for project restructuring,
- social and gender issues,
- how risk is handled and reported on,
- the use of midterm reviews.

More attention should also be given to ensure that project fees provide sufficient resources to cover all GEF supervision requirements.

Social and gender issues need to be better recognized and better integrated in projects and policies as an essential means to achieving sustainable global environmental benefits.

GEF Agencies and the GEF Secretariat should establish a communication channel to discuss PIF problem cases and the possible termination of project ideas. The Agencies should introduce a business standard within which to submit revised PIFs to the Secretariat.

Comprehensive, expedited resolution of the remaining weaknesses in the GEF Project Management Information System should be devised.

Evidence of solid progress toward impact testifies to the comparative advantage of the GEF Agencies and the support they provide to recipient countries. In some cases, Agencies' GEF activities outperform projects in their regular portfolio. Given the solid reputations of the GEF Agencies in their own right, this finding is very encouraging and may demonstrate the added value of a partnership such as the GEF over a more isolated approach.

#### **CONCLUSION 8**

**The Small Grants Programme continues to be an effective tool for the GEF in achieving global environmental benefits while addressing the livelihood needs of local populations, with special attention to reaching the poor.**

The GEF Evaluation Office, together with the Evaluation Office of the United Nations Development Programme, evaluated the Small Grants Programme in 2008. Further evaluative evidence gathered in country portfolio evaluations and OPS4 case studies

showed that the conclusions of this earlier evaluation still stand. The SGP contributes to numerous institutional and policy changes at the local, provincial, and national levels, and to building capacities within civil society and academic organizations to address global environmental concerns. Its success has resulted in a high demand for support. By the end of GEF-4, the SGP will be operational in 123 countries, with an additional 10 interested in becoming involved during GEF-5.

#### **RECOMMENDATION 8**

**The SGP should be recognized as a GEF modality that should be available to all recipient countries.**

Development of the SGP into a fully recognized modality of the GEF needs to be accompanied by the following measures:

- Reform the central management system to make it suitable for the new phase of growth.
- Prepare a suitable modality for funding national programs.
- Establish and publish a grievance procedure by which conflicts can be settled.
- Establish a process by which audits will be made public.

#### **CONCLUSION 9**

**Learning in the GEF is still not structurally and systematically encouraged.**

The GEF does not have a knowledge management strategy that pulls all the learning efforts conducted by the GEF and its partners together in a coordinated and organized way. The result is lost opportunities for learning on the part of the GEF partners and countries.

According to the peer review and the review of stakeholder opinions, the Evaluation Office is sufficiently independent and its reports are especially valuable for the Council in deliberations and decision making. The GEF Monitoring and Evaluation Policy clearly sets out monitoring roles and responsibilities, which nevertheless continue to remain unclear to many GEF partners, particularly at the portfolio level. Communication, information, and knowledge sharing on monitoring and evaluation are inadequate in the GEF network and can be improved.

The role of the STAP in terms of dispensing project advice is generally appreciated, but the STAP has not fulfilled its strategic mandate as originally envisaged. On the other hand, the Council has not requested STAP advice on critical technical and scientific issues facing the GEF.

#### **RECOMMENDATION 9**

**Learning in the GEF should focus on cross-agency and cross-country learning and be consolidated in a corporate strategy.**

Learning and knowledge management within the GEF should be encouraged in a more systematic way, building on the experiences of IW:Learn, with a special emphasis on cross-agency learning, and should be consolidated in a corporate strategy.

The GEF Monitoring and Evaluation Policy will need to be updated for GEF-5 and should take into account the issues raised by the independent peer review and the independent review of GEF monitoring and evaluation issues.

GEF focal points need to be involved as resource persons and process facilitators in evaluations. They should receive technical and financial support from the GEF Secretariat in establishing portfolio monitoring.

The STAP should take the initiative in presenting strategic scientific and technological advice to the GEF Council on critical policy issues.

#### **CONCLUSION 10**

**Monitoring, tracking tools, and impact indicators are not yet fully integrated into a results-based management framework for the GEF.**

The GEF has made considerable progress toward establishing a results-based management framework. Monitoring has been improved in the period since OPS3, and tracking tools for the focal areas have been introduced. Although discussions on introducing a results-based management framework have been held at various points over time, these have not yet led to a framework that has been fully integrated into the various GEF strategies and policies. The GEF-5 replenishment proposals outline new steps in that direction and should be encouraged.

#### **RECOMMENDATION 10**

**The GEF should integrate impact indicators and measurements in a results-based framework for GEF-5.**

The GEF Evaluation Office should, together with the GEF partners, work toward integrating impact indicators and measurements in the GEF-5 results-based framework. Based on emerging evidence on impact drivers essential for progress toward global environmental benefits, the GEF Secretariat should ensure that its tracking tools encompass this longer term perspective. The Council should approve and finance what could be a substantial exercise: developing and monitoring indicators for progress toward impact, integrated into the results-based management system of GEF-5.

## ABOUT IW:LEARN

*A key achievement in the international waters focal area is the directed learning approach developed through the IW:Learn ([www.iwlearn.net](http://www.iwlearn.net)) effort.*

*IW:LEARN — the International Waters Learning Exchange and Resource Network — aims to strengthen international waters management by facilitating structured learning and information sharing among stakeholders. In pursuit of this global objective, IW:LEARN improves focal area projects' information base, replication efficiency, transparency, stakeholder ownership, and sustainability of benefits.*

*Through a Web-based resource center, IW:Learn is a repository of information — the place to go to get background on projects and learn about upcoming GEF events. It supports project teams looking for practical project management information such as Web site design tool kits, transboundary diagnostic analysis/strategic action program guidance, and the latest project document templates.*

*The 10-year IW:Learn effort has experimented with many approaches and tools, including a Biennial International Waters Conference, specialized thematic workshops, learning visits, learning notes, and various forms of Web-based learning and exchanges. The IW:Learn effort continues to provide information management services while emphasizing training and demonstrations on new challenges and in specific regions, with concerted efforts aimed at building a "virtual" community of learners and experts. Significant hurdles remain in developing countries for this approach, especially in those without widespread high-speed Internet access.*

### CONCLUSION 11

**Resources are managed relatively well in the GEF, but improvements are possible.**

In general, the GEF Trustee manages the GEF Trust Fund well. On certain aspects, such as exchange risk management, management of resources, and transparency, improvements can be made. The Trustee is aware of this and is presenting relevant

proposals for the replenishment. On the replenishment process and fundraising, de facto joint responsibility is taken by the Trustee and the CEO.

Given the uncertainty of the current global financial situation, the GEF Trust Fund has higher exchange rate risks than are now taken into account. Recipient countries also face exchange rate risks. Some GEF Agencies offer countries limited support in this regard, while others do not; there is no uniform practice throughout the GEF at this time.

On the other hand, by reserving funds for a project's full projected cost at the identification stage, the Trust Fund keeps a large amount of money in reserve that will not be used in the immediate future; this is unnecessarily fiscally conservative. Most project proposals will take 22 months from approved identification to CEO endorsement, and some will not lead to a fundable proposal.

The GEF's fiduciary standards address areas that are not generally considered to be financial (project appraisal and evaluation) and that are overly prescriptive (audits).

The GEF fee system (10 percent per project) is, in some cases, unfair to the Agencies and is, on some categories of projects, unnecessarily expensive for the GEF.

The GEF does not appear to be more costly as compared to other facilities and funds. Some organizations have introduced cost/efficiency ratios that they plan to follow over time. No best international practice has yet been established.

### RECOMMENDATION 11

**Improvements in resource management should focus on developing a new system for reserving funds for project ideas and reforming fiduciary standards and the fee system.**

Approved PIFs should not be reserved only against available funds in the GEF Trust Fund but rather against funds that are expected to be paid into the Trust Fund in future years, according to the payment schedules agreed on with donors. A formula would need to take into account currency risks and the risks of deferred and delayed payments. This recommendation may become superfluous when the GEF moves into country-level programming, but given that a shift in that direction depends on voluntary steps taken by recipient countries, a new way of reserving funds for project ideas should be developed.

The GEF Instrument should be amended to recognize and reflect the role of the CEO and the Secretariat in the GEF replenishment process.

Fiduciary standards should be separated into fiduciary and management standards. These standards should provide less detail on the practices to be followed and more specification of the results to be achieved.

The GEF fee system should be converted into a rules-based system grounded on the principle of fees for services, including nonproject services for support of program development. Higher fees should be allocated to smaller projects and lower fees to larger commitments. The system should recognize that additional expenditures are needed for different types of projects and groups of recipient countries (for example, higher transaction costs are incurred by the Pacific small island developing states), as well as for national governments, including GEF focal points, who are currently compensated by a separate corporate program.

The GEF should begin to design a cost-efficiency system to follow over time and encourage development of an international minimum standard. It could build on the examples of other agencies, such as the International Fund for Agricultural Development, which has adopted a relative costs metric: the efficiency ratio of its operations. The International Fund for Agricultural Development Council sets efficiency ratio targets annually.

## GOVERNANCE AND PARTNERSHIP

### CONCLUSION 12

**The governance model of the GEF compares well to that of other international organizations.**

The GEF compares very well in terms of transparency of governance, and relatively well in terms of ensuring a voice and representation for its members, vis-à-vis other international organizations. Its governance model seems adequate for fulfilling most of the tasks assigned by the GEF Instrument.

The GEF Assembly currently meets once every four years, which does not fulfill its potential in enabling all GEF members to participate in key decisions.

The GEF Council's constituency system creates problems for developing countries because of a lack of clear guidelines as to how constituencies are formed, how they operate, and how Council members and alternates should be selected and rotated.

The GEF is in line with current practice for international financial institutions concerning the division between governance and management. However, that practice is not in line with what is considered best standards.

There is no institutionalized process of self-evaluation for the Council.

### RECOMMENDATION 12

**Governance can be further improved by ensuring a more substantive role for the Assembly, by addressing constituency problems, and by implementing a longer term process to achieve a better division between governance and management in the Council.**

The GEF Assembly should meet every two years to better respond to a rapidly evolving environmental agenda, urgent new challenges, and growing convention needs and demands. This modification will require an amendment of the GEF Instrument.

Problems faced by developing countries' constituencies need to be addressed as a key to improve the sense of ownership in GEF governance by a large number of members that feel that their needs and interests are ignored or not properly handled. For instance, the Council could establish guidelines and criteria regarding rotating schemes in most constituencies; membership should no longer be held exclusively by the largest vote holding member of the constituency, as is the case in many of them, but should rotate equally among all members regardless of voting weight. The advantage would be a much enhanced voice and sense of ownership in many developing countries.

During GEF-5, the GEF Council should lead a discussion on how better to separate governance and management functions, roles, and responsibilities between the Council and the CEO/Chair.

### CONCLUSION 13

**Tensions in the GEF partnership arise from programming and project identification issues; these in turn mostly stem from a lack of communication but are also due in part to fundamental questions on the appropriate roles of the GEF partners.**

There are considerable strengths in the GEF partnership model, but the fast pace of change within the GEF in recent years has caused tensions between the GEF Agencies and the GEF Secretariat, and between the Agencies and recipient countries. These tensions are to some extent "creative," in that they may lead to a renewed and invigorated GEF that better uses the relative strengths of its

partners, but they also carry reputational risks and cause inefficiencies if they lead to a reluctance to communicate.

The tensions in the partnership and the efficiency problems in the GEF are connected. In fact, the inefficiencies at key decision points on GEF support are at the root of much of the discontent. The first and likely most visible area of complaint and concern regards the approval phase of project proposals. The Joint Evaluation of the GEF Activity Cycle and Modalities concluded that the lag time for proposals awaiting approval had become unacceptably long. The resulting decisions to cut these waiting times dramatically show promise but are not yet visible on the ground, which means that complaints continue to be voiced. Moreover, the real cause of the long delays was lack of money, not lack of willingness to make decisions.

Three key areas of reform have emerged. The process leading up to the identification of project proposals can be characterized as generally unsatisfactory and potentially leading to reputational risks for the GEF. By adopting the Resource Allocation Framework, in which countries received an indicative allocation for biodiversity and climate change, the GEF moved in the direction of programming on a national level, without indicating how this should be done. Neither the Secretariat, the Agencies, nor the country focal points were ready for this shift when it occurred. As a result, practices have varied enormously throughout the GEF.

Second, the decision point to approve project ideas for further development has also led to tension and controversies in the GEF. While some of these problems have recently been resolved, more needs to be done.

Third, the process leading up to CEO endorsement and Agency approval, while definitely shorter than in the old project cycle, continues to lead to tension

and complaints, mostly between GEF Agencies and focal points. To some extent, this dissent can be attributed to competition for scarce resources — a scramble that becomes more intense when the resources become still scarcer.

Complaints in any project cycle are natural and indeed part of the process; similarly, tension is usually unavoidable and can be viewed as constructive, to a point. In the case of the GEF, these tensions and complaints have become a negative asset, a reputational risk for the GEF that endangers its future as a viable mechanism for the conventions in addressing global environmental problems. For this reason, they deserve the attention of the GEF Council and must be addressed and converted into a positive source of improvement rather than a negative source of reputation loss.

#### **RECOMMENDATION 13**

**The Council should address tensions within the GEF partnership and provide guidance on roles and responsibilities.**

The GEF Council has a special responsibility in improving the efficiency of the GEF by reducing tension and promoting partnership, in that it has a tradition of micromanagement of the project cycle. The GEF is unique among international organizations in that its Council approves both project ideas and project proposals; no other institution has a similar level of board involvement.

Apart from an invitation to the Agencies to present their view on the future of the GEF by the replenishment meeting, the Council has not been involved in reducing tensions in the partnership. Replenishment proposals may contain clarification of roles and responsibilities, and this effort needs to be encouraged. The Council should take responsibility for guiding the partnership in the direction it

envisages; this should include a discussion of and reflection on its own role.

One factor behind Council reluctance to delegate more responsibility to the GEF Secretariat, Agencies, and focal points seems to be a high sense of duty toward ensuring global environmental benefits. Since OPS3, many monitoring and supervision measures have been put in place at the portfolio level; these should provide the Council with a sufficient level of assurance to enable it to delegate further:

- A system of independent review of terminal evaluations on outcome and sustainability ratings has been put in place, which is reported on in the annual performance reports of the Evaluation Office.
- Focal area tracking tools have begun to gather evidence on portfolio outputs and outcomes; this information is now reported on in the Secretariat's annual monitoring report.
- A portfolio-wide review of progress from outcomes to impact has been introduced into the GEF, and elements of this could be incorporated into the GEF-5 results-based management framework.
- The Evaluation Office has become fully independent, and a GEF Monitoring and Evaluation Policy has been adopted by the Council; this policy will be updated in consultation with all stakeholders for GEF-5.
- The GEF Project Management Information System has been improved and, for the first time ever, correctly reflects the actual GEF portfolio on essential issues.

Although there are tensions in the partnership, the actual implementation of projects is shown to be successful. The outcomes and strong

implementation of GEF support should not be a surprise, given the generally good reputation of the GEF Agencies. However, it is only through their partnership with the GEF that many of the Agencies tackle global environmental problems — the

environment is not the core mandate of most of the GEF Agencies. The added value of the partnership therefore lies in bringing proven expertise and capacity to countries to tackle problems through internationally agreed-upon strategies.





# APPENDIXES

**Appendix A: Terms of Reference (Extract)**

**Appendix B: Abbreviations**

## APPENDIX A

# TERMS OF REFERENCE (EXTRACT)

*Date: July 17, 2008*

*APPROVED BY THE GEF COUNCIL ON SEPTEMBER 5, 2008*

This appendix contains three chapters of the terms of reference — The GEF and Overall Performance Studies: A Brief Overview, Emerging Issues and Questions, and Key Questions of OPS4. The full version — which includes Scope and Methodology, Process and Timeframe, Implementation Plan, Budget, and Draft Evaluation Matrix — is available on the Evaluation Office Web site ([www.gefeo.org](http://www.gefeo.org)) and on the CD-ROM of OPS4.

## THE GEF AND OVERALL PERFORMANCE STUDIES: A BRIEF OVERVIEW

The Global Environment Facility (GEF) was originally established in 1991 as a pilot program in the World Bank to assist in the protection of the global environment and to promote environmentally sound and sustainable development. In 1994 the GEF was restructured partly in response to the action plan of the 1992 United Nations Conference on Environmental Development. Three entities became GEF Implementing Agencies: the World Bank, the United Nations Development Programme (UNDP), and the United Nations Environment Programme (UNEP). In 2002 the second GEF Assembly amended the GEF Instrument, adding two new focal areas (land degradation and persistent organic pollutants) to the four existing ones (biodiversity, climate change, international waters, and ozone layer depletion). Seven other Agencies have meanwhile gained direct access to GEF funding: the four regional development banks, as well as 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). Since 1991, the GEF has provided \$7.6 billion in grants for more than 2,000 projects in over 165 countries.

The GEF underwent an independent evaluation of its pilot phase in 1993. Three Overall Performance Studies of the restructured GEF were completed in 1998, 2002, and 2005. All of these evaluations provided a basis for and supported the decision-making process of the GEF replenishment and Assembly. The three Overall Performance Studies were prepared by independent teams of evaluators, with substantial support from the Monitoring and Evaluation Unit and later the GEF Monitoring and Evaluation Office (now the GEF Evaluation Office).

The Second Overall Performance Study concluded that GEF-supported projects had been able to

produce significant results that address important global environmental problems. However, whether the results had had an impact on the global environment was difficult to determine. Given the GEF's relatively short existence and the limited amount of funds made available, it was unrealistic to expect its results to be able to halt or reverse the deteriorating global environmental trends at the time. What was clear was that the GEF had produced a wide array of important project results — results that could be considered as reliable process indicators toward achieving future positive environmental impact.

The Third Overall Performance Study (OPS3) found that the GEF had achieved significant results, particularly at the outcome level, in the focal areas of biodiversity, climate change, international waters, and ozone layer depletion, and was well placed to deliver substantial results in the newer focal areas of land degradation and persistent organic pollutants. The OPS3 team experienced difficulties in measuring program impacts and concluded that the GEF system for information management was inadequate. The study recommended that, to measure the results of the GEF and to evaluate whether the GEF is programming optimally 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. A comprehensive, reliable, and harmonized management information system could allow OPS4 to confidently report on the results of the GEF and the GEF's progress in meeting its operational principles.

However, as has been pointed out by this Office before: any impression that the GEF on its own would be able to solve global environmental problems needs to be qualified immediately.<sup>1</sup> The world community currently spends approximately

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1 See the Statement of the Director of Evaluation to the Assembly on August 29, 2006, and *OPS3: Progressing Toward Environmental Results, Executive Version*, Foreword (both accessible at [www.thegef.org](http://www.thegef.org)).

\$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. Greenhouse gas emissions continue 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 seems almost solved is that of the elimination of ozone-depleting substances — but new challenges are appearing on the horizon. For most of these problems, the GEF contribution needs to be seen in its proper perspective: directly ensuring global environmental benefits on a relatively small scale and indirectly aiming to initiate and catalyze actions that would enable a broader impact in the longer run.

OPS3 benefited from a high-level advisory panel. The panel recommended key questions that would enable the Fourth Overall Performance Study (OPS4) to go beyond summarizing previous findings to a more analytical and evaluative approach. This would allow an assessment of the value added of the GEF at the global level. It would enable a look at which aspects of the GEF partnership have performed well and which have not. To address these issues, the panel recommended that OPS4 assess results at the local, regional, and global levels in each of the focal areas and assess the implications of the views among and within the GEF's various stakeholder groups. This would allow the study to evaluate the GEF system as a network. OPS4 should also address the substantive and not just the management issues of the GEF by drawing on the current state of scientific literature in often contentious areas such as the congruence and competition in the realization of the objectives of biodiversity conservation and poverty alleviation, and country experience and client perspectives in a deeper way.

The findings, conclusions, and recommendations of OPS4 will be incorporated into the discussions and negotiations of the fifth replenishment of the GEF. The replenishment process is scheduled to begin with a formal meeting in November 2008. Two or three meetings are planned in 2009 with a possibility of one more in early 2010. An interim report of OPS4 will be presented to the replenishment meeting in the spring of 2009. Based on the interim report, the GEF Secretariat will prepare for discussion at the meeting proposed policy recommendations relating to the strategic issues to be addressed by the Council during the GEF-5 period. The final OPS4 report will be presented in the summer of 2009, and the GEF Secretariat will present revised policy recommendations based on the discussions of the previous meeting.

## EMERGING ISSUES AND QUESTIONS

The Evaluation Office started brainstorming on the OPS4 in January 2008 and circulated a first draft of emerging key questions to its senior advisors in March. A revised version of the emerging key questions was included as an annex in the Four-Year Rolling Work Plan and Budget for fiscal year 2009 that the Evaluation Office presented to the GEF Council on April 22, 2008. Comments and suggestions made during the GEF Council week were taken into account in an approach paper, which was published on May 7, 2008. Suggestions and comments on that approach paper were taken into account in these terms of reference.

Following the overall objectives of previous overall performance studies and bearing in mind specifically Articles 14a and 15 of the Instrument, the overall objective of OPS4 will be

**To assess the extent to which the GEF is achieving its objectives and to identify potential improvements**

OPS4 will be based on the GEF objectives as laid down in the GEF Instrument and in reviews by the Assembly, and as developed and adopted by the GEF Council in operational policies and programs for GEF-financed activities.

More than in previous overall performance studies, OPS4 will report on portfolio outcomes, the sustainability and catalytic effect of those outcomes, and the impacts that were achieved in its focal areas. There are five clusters of questions on which the study will focus. On many of the questions and subquestions in these clusters, the GEF Evaluation Office has already reported to the Council on achievements and progress made. OPS4 will build on these reports, identify gaps to be reviewed, and integrate findings in an overall achievement report to be presented to the Council and the replenishment process. This report will contain lessons learned and recommendations.

The **first cluster** will assess the role and added value of the GEF. This section will aim to assess the relevance of the GEF for the international architecture for tackling global environmental problems, of which the various multilateral environmental agreements are important building blocks. This international architecture is changing, also to address emerging issues and to ensure harmonization of international support. Furthermore, there is growing recognition that sustainable development can only be achieved if dynamic changes in natural resources management are adequately addressed. The GEF is not the only actor and depends on collaboration, often through cofunding, with other partners to achieve its objectives as a financial instrument of several multilateral environmental agreements. The principle of additionality has promoted the partnership mode of the GEF. Furthermore, the Paris and Rome declarations of aid effectiveness and harmonization will be taken into account. The role and added value of the GEF will be looked at from the perspective of its current mandate. This cluster will also be described as the **role cluster**.

The first cluster will be based on a desk review of available literature, documents, and reports and will not require major investment. The work will be done mostly in-house, but will require peer reviews of the desk review to ensure quality.

The results of the GEF constitute the **second cluster** for assessment. OPS4 will respond to questions regarding the concrete, measurable, and verifiable results (outcomes and impacts) of the GEF in its six focal areas and in multifocal area efforts and how these achievements relate to the intended results of interventions and to the problems at which they were targeted. Furthermore, the results will be reported on different levels: global, regional, national, and local. The balance between local and global benefits will be assessed as well as changes in the behavior of societies that ensure sustainability of benefits. The issue of the sustainability of results will be further explored through an in-depth look at the impacts of the GEF in its focal areas, global, regional, national, and local. OPS4 will also relate the achievements to groups of countries, such as small island developing states (SIDS) and least developed countries (LDCs). This cluster will also be described as the **results cluster**.

This cluster will build on OPS3 as well as a large number of GEF evaluation reports, starting with the program studies that were undertaken for OPS3, which will provide a basis for an update of the three major focal areas, as well as the Local Benefits Study, the Biosafety Evaluation, the country portfolio evaluations, the Joint Evaluation of the Small Grants Programme, the annual report on GEF impacts, and the evaluative work on the catalytic role of the GEF and capacity building. In addition, two more country portfolio evaluations will be undertaken during OPS4, as well as an impact evaluation of the ozone focal area. Even though this is already an extensive coverage, major additional work will need to be undertaken: updating the program studies and ensuring coverage of all focal areas, as well as field

(verification) work to ensure representativeness of findings.

The **third cluster** consists of the relevance of the GEF to the conventions and to recipient countries. First and foremost, OPS4 will report to what extent the guidance of the conventions has been followed by the GEF. In international waters, the extent to which the GEF has been able to promote and support international collaboration will be taken as a measure for relevance. Second, the relevance of the GEF for national environmental and sustainable development policies will be assessed. Another question tackled in this cluster is the extent to which the GEF has been able to support national sustainable development policies, and to what extent it has been able to integrate the concern for global environmental benefits into these policies, based on the needs and priorities of the countries concerned. This cluster will also be identified as the **relevance cluster**.

Building on OPS3 and the country portfolio evaluations, as well as other evaluation reports such as the Biosafety Evaluation, this cluster will require mainly desk reviews of documents and reports, to be enhanced and verified through interviews, country and agency visits, as well as stakeholder opinions.

Performance issues affecting results of the GEF will be assessed as the **fourth cluster** to investigate whether the performance is up to the best international standards or whether improvements are needed. OPS4 will look at the governance system of the GEF and assess to what extent it is adequate and manages the GEF well. It will look at the extent to which the policy recommendations of the fourth replenishment were implemented. The Midterm Review of the Resource Allocation Framework (RAF) will be updated to a final assessment of the extent to which the RAF promotes global environmental benefits. The cost-effectiveness of GEF operations and interventions will be assessed. The roles of the

components of the GEF will be looked at in this section. A series of questions will be directed at monitoring and evaluation, science and technology, and knowledge sharing: activities that focus on enhancing the quality of interventions through lessons learned and infusion of the highest available technical expertise. OPS4 will assess the extent to which the GEF is a learning organization and achieves levels of best international practice on these issues. This cluster will also be known as the **performance cluster**.

This cluster will make extensive use of existing evaluation reports, most prominently the annual performance reports, and the Midterm Review of the Resource Allocation Framework, as well as the Joint Evaluation of the GEF Activity Cycle and Modalities. OPS3, the Joint Evaluation of the Small Grants Programme, and the country portfolio evaluations also provide important evidence that will be incorporated in this cluster. The ongoing work for the Annual Performance Report also will be integrated into OPS4. As a result, the additional work needed, including further analysis of terminal evaluations, field and country and agency visits, as well as stakeholder perceptions, can be kept within reasonable bounds.

Resource mobilization and financial management on the level of the Facility itself is the **fifth cluster** that OPS4 will tackle. A series of questions will assess the replenishment process and financing of the GEF throughout its history, and the management of the GEF Trust Fund. Furthermore, the GEF's fiduciary standards, accountability, and transparency on general financial issues will be reported on. This cluster will build on OPS3 and identify additional work that would need to be done, mainly through data and portfolio analysis, desk reviews, and expert involvement in analysis and reporting. This cluster will also be described as the **resource cluster**.

These five clusters of questions have led to a first identification of key questions and subquestions

to which OPS4 will need to provide an answer, or for which it will need to identify what needs to be done to ensure that answers will be provided in future evaluations of the GEF Evaluation Office, or the Fifth Overall Performance Study.

## KEY QUESTIONS OF OPS4

This chapter presents the key questions in five clusters. Many of these questions require several subquestions to allow for an informed answer in OPS4. The subquestions have been incorporated in the first version of the evaluation matrix, which has been included as an annex to these terms of reference as a “work in progress.”

### FIRST CLUSTER: ROLE AND ADDED VALUE OF THE GEF

#### 1. What is the role and added value of the GEF in tackling the major global environmental and sustainable development problems?

This key question will establish the context and international framework in which the GEF operates. It will look at the current understanding of global environmental problems, their dynamic and trends, what is known about their causes and how they could be addressed, as well as at the role of the multilateral environmental agreements and the GEF in addressing these issues. The general assessment of OPS4 on the GEF’s achievements will then be matched to the international framework to conclude on the added value of the GEF’s support vis-à-vis that of other actors and its resulting role in tackling global environmental and sustainable development problems.

### SECOND CLUSTER: RESULTS OF THE GEF

#### 2. Which concrete, measurable, and verifiable results have been achieved by the GEF in the six focal areas and in multifocal area activities?

This assessment will provide an overview of results in regular and multifocal area activities per focal area — biodiversity, climate change, international waters, ozone layer depletion, persistent organic pollutants, and land degradation — and provide lessons learned on each of the strategic objectives within the focal areas, where applicable. It will also report on the geographical distribution of these achievements.

#### 3. Which concrete, measurable, and verifiable results have been achieved by the GEF in supporting national and local priorities for sustainable development?

OPS4 will assess the extent to which the GEF has enabled recipient countries to meet their obligations under the conventions, as well as build up national and local capacity to do so, and the extent to which this has led to increased global environmental benefits. The role of technology transfer in the latter will be looked at as well, and finally the distribution of these achievements over groups of countries, such as SIDS and LDCs, will be reported on, as well as the distribution over geographical regions.

#### 4. To what extent has the GEF achieved sustainable impact on global environmental problems?

This question will build on the work done for the annual report on impacts. Additional assessment will take place on theories of change and assumptions on why interventions will achieve impact. This links into an assessment of sustainability of the achievement of global environmental benefits.

### THIRD CLUSTER: RELEVANCE OF THE GEF

#### 5. To what extent has the GEF followed the guidance of the conventions for which it is a financial instrument?

OPS4 will relate the guidance of the conventions to the GEF strategies, modalities, and operations, as well as its achievements as assessed in previous questions. This will enable a judgment on whether the GEF has been following the guidance.

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**6. To what extent has the GEF been able to promote international cooperation in environmental areas that have not previously been covered by agreements?**

OPS4 will provide an assessment of the GEF's support to countries to enter into and implement trans-boundary agreements on international waters.

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**7. To what extent has the GEF been able to provide feedback to the conventions on their guidance, the implementation of that guidance, and the results achieved, including on multifocal area issues?**

OPS4 will assess the communication between the GEF and the conventions on the feedback that the GEF has given to the conventions on its results, experiences, and lessons learned, as well as on multifocal area issues and activities, and whether that feedback has been helpful to the conventions in improving their guidance and to promote synergy and minimize conflict among the conventions.

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**8. To what extent has the GEF been relevant to national policies on the environment and sustainable development?**

This question aims to address the issue of how GEF support has contributed to countries' sustainable development agendas and environmental priorities, and whether it was possible to integrate global environmental issues into the poverty and/or development agenda of the recipient countries, including the question of trade-offs. Whether the portfolio was owned by the country will be addressed here as well.

## **FOURTH CLUSTER: PERFORMANCE ISSUES AFFECTING RESULTS OF THE GEF**

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**9. Is the governance system of the GEF adequate and up to international standards?**

This question will build on OPS3 and look at the role and effectiveness of the Council, and the extent to which the GEF has a transparent system of governance. This system will be compared to governance in the United Nations, the international financial institutions, and similar global programs and funds. The responsiveness of the Council to guidance of the conventions and also to the needs of the recipient countries will be assessed, as well as the way the Council has kept track of the adoption of its decisions.

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**10. To what extent has the RAF succeeded in allocating funding to ensure a maximization of global environmental benefits?**

The Midterm Review of the Resource Allocation Framework will have been presented to the Council in November 2008. The terms of reference of the midterm review contain the questions that will be addressed and the findings that will be incorporated into OPS4. In the remaining months to conclude OPS4, these findings will be updated with the latest information and data on approval and new evidence that can be gathered and analyzed.

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**11. To what extent has the GEF been efficient and cost-effective in achieving results in each focal area?**

OPS4 will assess the extent to which the GEF has been efficient in terms of funding, human resources, and time spent. As far as possible these costs will be compared to similar activities of other agencies, leading to an assessment of the cost-effectiveness of GEF interventions. The possibility will be explored to report per focal area

on geographical distribution and distribution per groups of countries, as well as per GEF Agency and modality, which will be related to the comparative advantage of these Agencies to address specific issues within the GEF. Furthermore, issues such as the reform of the project cycle as well as cofunding will be raised here, as they have an impact on the cost-effectiveness of GEF investments.

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**12. To what extent are the GEF's composition, structure, and division of roles and responsibilities meeting its mandate, operations, and partnerships?**

Building on OPS3, this question will address the networking and partnership aspects of the GEF — is the current organizational model the best possible for the GEF? What are its associated costs and to what extent is it functional and efficient? The role and tasks of all components of the GEF will be assessed here, as well as the performance and comparative advantage of GEF Agencies.

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**13. Are the GEF Monitoring and Evaluation Policy and its implementation up to international standards?**

OPS4 will assess whether the GEF Monitoring and Evaluation Policy is up to international standards and the extent to which its implementation has been successful. The evaluation part of it, especially the role and performance of the GEF Evaluation Office, will be independently assessed by a professional peer review panel composed of internationally recognized panel members who will follow a framework for the review that has been adopted in the three professional evaluation communities (OECD/DAC Evaluation Network, UN Evaluation Group, and Evaluation Cooperation Group of the international financial institutions). The monitoring issues and the quality of evaluation in the Agencies will follow up on work of the Annual Performance Report.

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**14. How successful has the GEF been as a learning organization, including state-of-the-art science and technology?**

Knowledge-sharing and feedback mechanisms will be reviewed to see to what extent the GEF is a learning organization that ensures that its future builds on past experiences. Special attention will be paid to how the GEF has learned from best practices, including science and technology, as well as the role of the Science and Technology Advisory Panel in improving the GEF's strategies and interventions.

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**FIFTH CLUSTER: RESOURCE MOBILIZATION AND FINANCIAL MANAGEMENT**

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**15. How effective has the GEF been in mobilizing resources for tackling global environmental and sustainable development problems?**

OPS4 will assess the efforts to communicate the GEF's procedures, strategies, and successes. A historical perspective on the replenishment process and how it has mobilized resources for global environmental issues will lead to an assessment to what extent these resources have enabled the GEF to meet the guidance of the conventions and tackle global environmental problems. GEF funding will be compared to replenishments and funding of other international organizations and global programs and funds. The additionality of funding will also be reviewed.

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**16. How have human, financial, and administrative resources been managed throughout the GEF?**

OPS4 will assess the role and functioning of the GEF Trustee, as well as the fiduciary standards of the GEF, and how human and administrative resources are managed to ensure the best support to the GEF's interventions.

## APPENDIX B

# ABBREVIATIONS

CEO	Chief Executive Officer
GEF	Global Environment Facility
LDCF	Least Developed Countries Fund
OPS3	GEF Third Overall Performance Study
OPS4	GEF Fourth Overall Performance Study
SCCF	Special Climate Change Fund
SGP	Small Grants Programme
STAP	Science and Technology Advisory Panel





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