OPS5

FIFTH OVERALL PERFORMANCE STUDY OF THE GEF

PERFORMANCE OF THE GEF

OPS5 Technical Document #7

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GLOBAL ENVIRONMENT FACILITY

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Performance of the GEF

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1.Background and Summary of Findings

The independent Overall Performance Studies of GEF are undertaken to inform the replenishment on the achievements and results of the GEF. The studies aim to assess the extent to which the GEF is achieving its objectives and to identify potential improvements. The Fifth Overall Performance Study (OPS-5) is being undertaken to inform the replenishment for GEF-6 period. The reporting of OPS5 to the replenishment is divided out in a first report to the first replenishment meeting in April 2013 and a final report to the third meeting.

This paper has been prepared as an input for preparation of the first report of OPS-5. It addresses some of the important issues that pertain to the performance of the GEF partnership. The issues covered in this paper include outcome achievements of completed projects, resource utilization, agency fees, project cycle, implementation and execution, monitoring and evaluation, and co-financing. The findings presented in this paper are preliminary. These would be updated for the final report of the OPS-5 – by that time more data and analysis would become available.

Key finding on the performance of the GEF partnership are as follows:

- Utilization of programmable resources up to the mid-point of GEF-5 is close to the expected targets and is in line with expected materialization of donor commitments.

- Outcome achievements of more than 80 percent of the completed projects were rated in the satisfactory range. The GEF projects are on track to achieve the expected outcome achievement targets of their respective GEF-replenishment periods.

- For the completed projects of OPS-5 cohort that have been rated on quality of implementation and of execution, quality was rated in the satisfactory range for 83 and 84 percent, respectively.

- The level of materialized co-financing vis-à-vis expected co-financing reported for the OPS-5 cohort of completed projects is higher than that for the earlier cohorts.

- The level of compliance with the GEF requirements for M&E arrangements in projects at the point of endorsement has improved compared to earlier periods. The quality of impact measurement arrangements was assessed to be in the satisfactory range for 69 percent of proposals for full size projects.

- Compared to earlier periods, during GEF-5 the agency fees provided by the GEF for implementation of its project portfolio have reduced.

- There are early indications that compared to GEF-4 the time lag between PIF approval and CEO endorsement of full size projects has reduced significantly for the GEF-5 period. However, given the relatively small number of observations so far on the GEF-5 period, this needs to be further verified.

2.Methodology

2.1 Resource Utilization

Information on resource utilization provided in this paper is based on the information gathered from the business plans submitted by the GEF Secretariat to the GEF Council, analysis of the PMIS dataset on projects and on utilization of System for Transparent Allocation of Resources. The utilization figures reported take into account project cancellations. They present data up to June 30th 2012.

2.2 Outcome Achievements

Reporting on outcome achievements takes into account 491 projects which were completed after 2000 and for which terminal evaluations have been submitted from FY2005 onwards, have been taken into account when reporting on outcome achievements. These 491 projects account for US $2.03 in GEF funding. Of these 491 projects, 210 that comprise the OPS-4 cohort have already been reported on in OPS-4. The remainder – 281 projects – comprises the OPS-5 cohort.

Of the 281 projects included in the OPS-5 cohort, the GEF Evaluation Office adopted the outcome ratings provided by the evaluation offices of the respective implementing agencies for 165 projects. For the remaining 116 projects the Evaluation Office rated project outcome based on the level of actual achievement of project objectives and expected outcomes in terms of **relevance, effectiveness** and **efficiency**. On a six point scale, the satisfactory range comprises of ratings that are moderately satisfactory or above whereas the unsatisfactory range comprises of the ratings that are moderately satisfactory or below. Annex A of the APR 2009 provides details on the rating approach used by the Office to assess outcome achievements.[1]

Although the rating approach followed by the Evaluation Office for the terminal evaluation reviews of the OPS5 cohort is identical to that followed for OPS4 cohort, unlike the OPS4 cohort, where the GEF Evaluation Office had reviewed all the terminal evaluations and provided ratings, for OPS5 cohort the Office adopted the ratings provided by the independent evaluation offices of the agencies for majority of projects[2]. Adoption of the outcome ratings provided by the evaluation offices of the agencies may introduce a bias in the ratings for the OPS5 cohort. For the Final Report of OPS5, the GEF Evaluation Office will check whether adoption of ratings introduces a bias in the overall figures of the global portfolio. If a bias is found, it will be corrected for. The outcome rating figures presented in the First Report of OPS5 are, therefore, provisional.

[1] The document is available at http://www.thegef.org/gef/sites/thegef.org/files/documents/APR_2009.pdf

[2] Since 2009, in order to promote within among agencies processes for independent review of terminal evaluations, the Office has started adopting outcome ratings provided by the independent evaluation units of the implementing agencies if their rating approach and ratings provided by them are broadly consistent with those by the Office. The Office has tracked the differences in the ratings provided by the Office and the independent evaluation offices of agencies and have found them to be broadly consistent.

2.3 Quality of Implementation and Execution

The Evaluation Office has assessed quality of implementation and execution from FY 2008 onwards. The Office has rated the overall Quality of Implementation and Execution for completed projects of the APR cohorts for 2008, 2009, 2010 and 2011. Quality of implementation and execution has been assessed for 265 projects so far. The process for assessment of quality of implementation and execution for 2012 is still underway.

Quality of implementation and execution is assessed on a six point scale with the three top ratings of moderately satisfactory or above comprising the "satisfactory" range, and the three bottom rating of moderately unsatisfactory or below comprising the "unsatisfactory" range. For assessment of quality of implementation the effectiveness of the implementing agency in performing its roles and responsibilities was assessed. Similarly, for assessment of quality of execution the effectiveness of the executing agency in performing its roles and responsibilities was assessed. The overall assessment was based on how the effectiveness of the entire structure for project implementation and execution. The focus was primarily on variables that were to a large extent within the control of the respective implementing and executing agency.

2.4 Materialization of co-financing

The reporting on materialization of co-financing is based on information provided by the implementing agencies on completed projects. In all 566 completed projects for which the GEF Evaluation Office has received terminal evaluations have been taken into account for reporting on materialization of co-financing. These include 491 projects that have been taken into account for reporting on outcome achievements (OPS-4 and OPS-5 cohorts) and 75 additional projects that had been reviewed by the Office in period covered by OPS-3 (OPS-3 cohort).

2.5 Quality of M&E at entry

The analysis presented in this paper on quality of M&E at entry is based on the cohort of full size projects that were endorsed by the CEO in FY 2005 (74 projects), FY 2008 (82 projects), and FY 2011 (80 projects). In all the quality of M&E at entry review reports on 236 projects. The review of quality of arrangements for impact measurement covers a representative sample of 49 full size projects that were endorsed by the CEO in 2011.

The level of compliance with the M&E requirements at entry was assessed using a protocol that covered aspects such as specificity, relevance and sufficiency of specified performance indicators; data collection methodology and baseline data; specification of M&E time frames, responsibilities, and performance standards, etc. The review was carried out by the Evaluation Office staff.

The pilot review of quality of arrangements for impact measurements was carried out by the Evaluation Office in collaboration with the Scientific and Technical Advisory Panel (STAP). Arrangement for impact measurement in the M&E plan of each project covered through the review was assessed by a panel of two subject area experts. In all 10 scientists conducted in the review. The review focused more on the quality of the M&E plans especially on aspects such as indicators, baseline data, methodology and scientific validity, arrangements for gathering data on chosen indicators, etc.

Detailed information on the protocols used for assessment of compliance with M&E requirements at entry, and quality of arrangements for impact measurement, is provided in APR 2011. The report is accessible at the GEF EO website (http://www.thegef.org/gef/PerformanceEvaluations).

2.6 Agency Fees

The section on agency fees included in this paper updates the analysis presented on this topic in OPS-4 and in APR 2009. To assess the trends agency fees for projects that were PIF approved up to Sept 30th 2012 have been taken into account. The details on methodology used to determine agency fees for periods before GEF-4 has been provided in APR 2009.

2.7 Project Cycle

The project cycle related analysis presented in this note takes into account all proposals for the full size projects that had been PIF approved during the GEF-4 (422 proposals) and those proposals for full size projects that had been PIF approved during the GEF-5 period at least 18 months before September 30th 2012 (21 proposals). The analysis presented in this paper focuses on the time taken for the proposals of full size projects from the point of PIF approval to endorsement by the CEO. Instead of averages, the analysis on time taken for endorsement focuses on comparing the percentage of proposals from the two GEF-cycles that were able to get endorsed by the CEO by time elapsed. This approach provides a more reliable basis for comparison as it is not as sensitive to outliers and allows comparisons at different time landmarks.

3.Resource Utilization

Key Finding: Utilization of programmable resources up to the mid-point of GEF-5 is close to the expected targets and is in line with expected materialization of donor commitments.

The total commitment made by the donor countries for GEF-5, including the unspent amount from GEF-4, was US $ 4.34 billion. Of this, at the start of GEF-5, it was anticipated that US $ 4.13 billion would be available for programming resources during the GEF-5 period (GEF/C.39/4/Rev.1). The actual materialization of the commitments, however, has been significantly lower than anticipated. Recent projections prepared by the Secretariat indicate that for GEF-5, $3.66 billion is likely to materialize, of which $3.54 billion is expected to be available for programming (GEF/C.43/08).

The contributing participants of the replenishment for GEF-4 had committed $3.135 billion (GEF/C.30/6), of which US $ 2.95 billion materialized (GEF/C.35/12). However, unlike GEF-5, where most of the shortfall is explained by less than expected materialization of donor commitment, about two thirds of the GEF-4 short fall was due to appreciation of the US dollar against currencies/instruments in which donor commitments were made. Past experience, therefore, calls for caution in comparing resource utilization across and within periods without taking into account all of the factors underlying realization and utilization of resources.

That said, for both GEF-4 and GEF-5 at the mid-point, short falls in materialized resources were not anticipated. As late as April 2008, a higher than expected materialization of US $ 3.31 billion had been projected for GEF-4. Thus, concerns related to currency fluctuations that negatively affected the programmable amounts for the second half of GEF-4 were unlikely to have negatively affected the utilization patterns in the first half of replenishment periods. Although a shortfall is projected for the GEF-5 period, during the first two years, programming and resource utilization continued based on the ex-ante expectation of $ 4.13 billion. Thus, ex-ante expectations may be used for assessment of performance in resource utilization.

Table 1: Resource utilization through reserving of resources for approved projects

	GEF-4 period up to June 30th 2008	GEF-4 period up to Feb 7th 2009	GEF-5 period up to June 30th 2012
Total utilization (millions)[3]	1,293	1,838	1,749
Utilization as a percentage of pledged programming resources	45%	64%	42%

A more important consideration for comparison is the starting date for GEF-4. Although normally the GEF replenishment period starts on July 1st of its first fiscal year, for GEF-4, the replenishment hadn't been complete by that time. It was only on November 30th 2006 that the advance contribution scheme under GEF-4 became effective, and it was not until February 8th 2007 that the Trustee received instruments of commitment or qualified instruments of commitment from donors amounting to $ 929 million. Thus, there are two candidate start dates – July 1st 2006 or February 8th 2007 – that may be used as a basis for ascertaining the mid-point of GEF-4 period. The date used as the starting point for GEF-4 would in turn change the date that may be used as mid-point for the period covered by the replenishment cycle.

As shown in Table 1, compared to the ex-ante expectation, up to the end of June 30th 2012, after two years of implementation of GEF-5, the total utilization stood at 42 percent. Depending on whether June 30th 2008 or February 7th 2009 is considered as the mid-point of GEF-4, the utilization figures change for GEF-4. When June 30th 2008 is considered to be the mid-point of GEF-4, the utilization figures for GEF-4 and GEF-5 in terms of percentage of programming resources available are quite close. However, when the mid-point for GEF-4 is

[3] The given figures are inclusive of agency fees.

extended to February 7th 2009, the resource utilization performance during GEF-4 period is substantially higher than that in GEF-5.

Table 2: Resource utilization for Biodiversity and Climate Change focal area under RAF and STAR

	GEF-4 period up to June 30th 2008	GEF-4 period up to Feb 7th 2009	GEF-5 period up to June 30th 2012
Total Utilization[4]	583	1006	1129
As a percentage of total programming resources[5]	31%	53%	48%

For the two focal areas (climate change and biodiversity) that were covered both under RAF and STAR, the utilization of available programming resources during the first two years of the replenishment period shows improved performance under GEF-5 using a June 30, 2008 midpoint for GEF-4 (Table 2). The utilization for these two focal areas improved from 31 percent utilization in GEF-4 to 48 percent for GEF-5. However, using the February 7th 2009 midpoint for GEF-4, the combined level of utilization for the two focal areas during GEF-5 is slightly lower.

Land Degradation has been a standout focal area in terms of changes in the utilization pattern. During GEF-4, when the focal area was not covered under the resource allocation framework, it had shown high level of resource utilization till the mid-point - the 'Midterm Review of the Resource Allocation Framework' (2009), which assessed utilization figures for GEF-4 up to June 30th 2008, reported a utilization of 81 percent for the land degradation focal area. Compared to GEF-4, the utilization figure for land degradation focal area was considerably lower at 44 percent. A major reason for this is start of some major programmatic approach based programs during the first half of GEF-4. This facilitated a rapid reserving of resources for land degradation activities during GEF-4.

The actual utilization of ex-ante programmable resources for GEF-5 up to June 30th 2012 has been 42 percent. If the revised estimate of the programmable resources for GEF-5 is taken into account, the utilization up to the mid-point stands at 49 percent. This shows that given the changed context, the actual utilization has been consistent with the revised estimates of programmable resources. Thus, the actual utilization is on track. The Final Report of OPS-5 will cover a longer period and would present a detailed analysis of the underlying utilization patterns.

[4] The given figures are inclusive of agency fees.

[5] For GEF-4 figure of US $ 3.101 billion has been taken as total amount anticipated to be available for programming at the start of the GEF-4 period (GEF/C.31/9); for GEF-5 a figure of US $ 4.130 billion has been taken as the total amount anticipated to be available programming at the start of the GEF-5 period (GEF/C.39/4/Rev.1). The significant short fall in materialization of commitments for GEF-5 did not affect the programming during the first two years of GEF-5.

4.Outcome Achievements

Key Finding: Outcome achievements of more than 80 percent of the completed projects were rated in the satisfactory range. The GEF projects are on track to achieve the expected outcome achievement targets of their respective GEF-replenishment periods.

Up to OPS-2, not much evidence was provided in the overall performance reports on the outcome achievements of completed projects. At that point in time, the project portfolio had not matured. Bulk of the completed projects comprised of enabling activities; and few full size and medium size projects had been completed. OPS-3 undertook detailed program studies to assess outcome achievements of activities taken up in various focal areas. However, given the limited number of completed projects it was not able to present a systematic global portfolio level overview. It was in OPS4 that for the first time such an overview on outcome achievements of completed projects was provided. In all outcome achievements of 210 completed projects, which had been reported on in APR2005 to APR 2008, were presented. Of these outcome achievements of 205 completed projects were rated and 80 percent of the projects were rated to be in the satisfactory range.

The first report of OPS-5 takes into account 281 additional completed projects that were covered in APR2009 to APR2011 or are being covered in APR2012. Of the 281 projects in the OPS-5 cohort outcome achievements of 280 completed projects were rated. For a majority of these (59 percent), the outcome ratings provided by the independent evaluation offices of the agencies have been adopted. Overall, outcome achievements of 86 percent of completed projects included in the OPS-5 cohort were rated to be in the satisfactory range.

Table 3 presents a summary of the outcome ratings for the OPS-4 and OPS-5 cohorts. Of the completed projects included in the OPS-5 cohort, 86 percent have been rated in the satisfactory range. The OPS-4 trend of a higher percentage of MSPs rated in the satisfactory range than FSPs continued in the OPS-5 cohort as well.

Table 3: Completed projects with outcome achievements rated in the satisfactory rang (moderately satisfactory or above)[6]

Cohort	MSPs	FSPs	All Projects
OPS-4 cohort (Total number of projects: 210)	84% (rated projects: 91)	78% (rated projects: 114)	80% (rated projects: 205)
OPS-5 cohort (Total number of projects: 281)	88% (rated projects: 123)	85% (rated projects:157)	86% (rated projects: 280)
All Cohorts (491 projects)	86% (rated projects 214)	82% (rated projects: 271)	84% (rated projects: 485)

Although the OPS-5 cohort does not include projects from the GEF-5 replenishment period, the performance of outcomes of 86 percent of projects rated in the satisfactory range meets the 80 percent target for GEF-5 projects (GEF/R.5/25/CRP.1). This performance is significantly better than the 75 percent target that had been established during the

[6] Enabling activities that were not approved through expedited procedures have been reported on as either MSPs or FSPs based on the GEF grant amount.

negotiations for GEF-4 (GEF/A.3/6). Despite the provisional nature of the outcome ratings provided in this report, it is clear that overall the GEF projects seem to be on track to achieve the expected targets of their respective GEF-replenishment periods.

5. Quality of Implementation and Execution

Key Finding: For the completed projects of OPS-5 cohort that have been rated on quality of implementation and of execution, quality was rated in the satisfactory range for 83 and 84 percent, respectively.

Within the GEF partnership, implementing agencies are involved in activities related to a project's identification, concept preparation, appraisal, preparation of detailed proposal, approval and start-up, supervision, and completion and evaluation.[7] Executing agencies are involved in management and administration of the day-to-day activities of projects in accordance with specific project requirements, and within the overall supervision of the implementing agencies.[8] The executing agencies are also responsible for the appropriate use of funds, and procurement and contracting of goods and services.[9]

From APR 2008 onwards, the GEF Evaluation Office has rated the overall Quality of Implementation and Execution for completed projects included in the APR cohorts, through the terminal evaluation review process. To date, the Office has provided ratings for completed projects of the APR2008, 2009, 2010 and 2011 cohorts.

Of the 251 projects for which Quality of Implementation has been rated, 202 projects (80 percent) were rated in the satisfactory range (i.e. moderately satisfactory or above). For 140 projects (56 percent) a more stringent yardstick of satisfactory or above was met. Of the 251 projects that were rated, 191 are part of the OPS-5 cohort. Of these, 159 (83 percent) had Quality of Implementation ratings in the satisfactory range and 104 (54 percent) were rated satisfactory or above.

[7] See GEF/C.41/06/Rev.01 and GEF/C.39/9
[8] Ibid.
[9] Ibid.

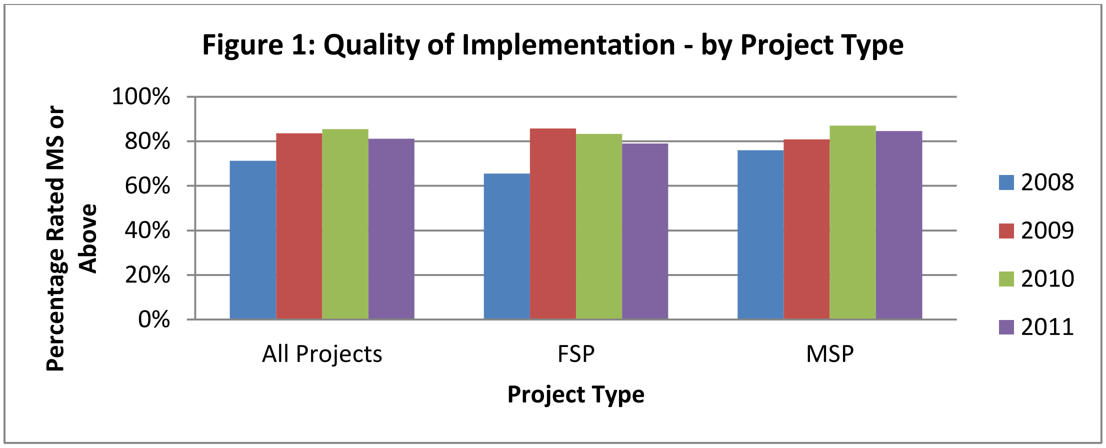


Figure 1 shows the trends in the percentage of projects with Quality of Implementation ratings in the satisfactory range, by project type. Figure 2 tracks this same metric by Implementing Agency. Overall, compared to full-size projects, a greater percentage of medium-size projects tend to be rated in the satisfactory range. However, the difference between the two project types is nominal and not statistically significant.

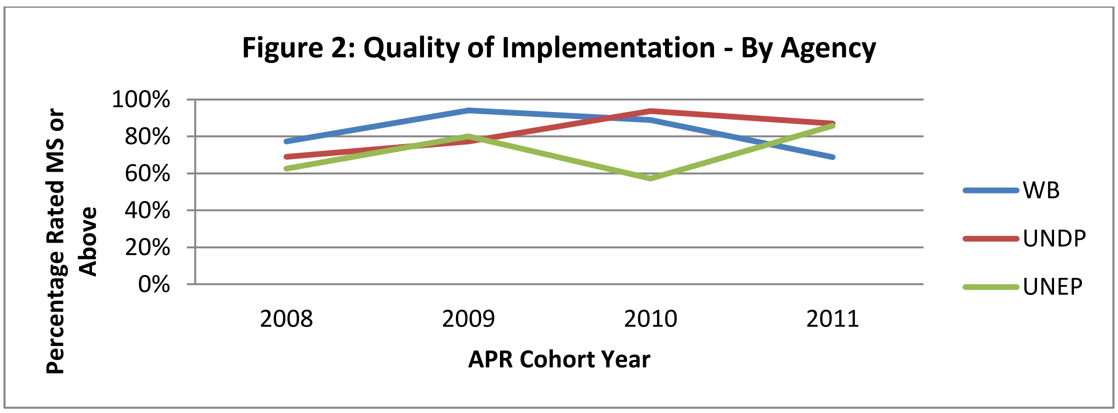


Figure 3 presents the trends in Quality of Execution for cohorts of completed GEF projects. To date, 245 completed projects from APR 2008, 2009, 2010 and 2011, have been rated for Quality of Execution. Of these, 206 projects (84 percent) were rated in the satisfactory range, and 139 projects (57 percent) met the more stringent yardstick of satisfactory or above. Of the completed projects in the OPS-5 cohort (i.e. APR 2009, 2010 and 2011) 84 percent had Quality of Execution ratings in the satisfactory range, and 56 percent were rated satisfactory or above. In general, the percentage of projects for which Quality of Execution was rated in the satisfactory range does not show any trend when distinguished by project type.

In all, 135 full-size projects and 110 medium-size projects have been rated on Quality of Execution. 80 percent of full-size projects and 89 percent of medium-size projects were rated in the satisfactory range for this metric. The difference in ratings for medium- and full-size projects is not signifcant to the 90 percent confidence level. As more projects get rated, the Office will be able to evaluate the significance of the results with greater confidence.

6.Materialization of Co-financing

Key Finding: The level of materialized co-financing vis-à-vis expected co-financing reported for the OPS-5 cohort of completed projects is higher than that for the earlier cohorts.

Co-financing is often considered to be an indicator of a project's sustainability, country ownership, and mainstreaming of GEF activities; and a way to mobilize additional resources for the global environment. APR 2009 provided a detailed analysis of GEF's approach to co-financing and concluded that "*the GEF gains from mobilization of co-financing through efficiency gains, risk reduction, synergies, and greater flexibility in terms of the types of projects it may undertake*." It, however, also cautioned that singular focus on achieving high co-financing ratios may be counter-productive as this would create disincentives for undertaking projects where potential for global environmental benefits is immense but where it is also difficult to raise co-financing. It, therefore, called for a balanced approach to seeking co-financing.

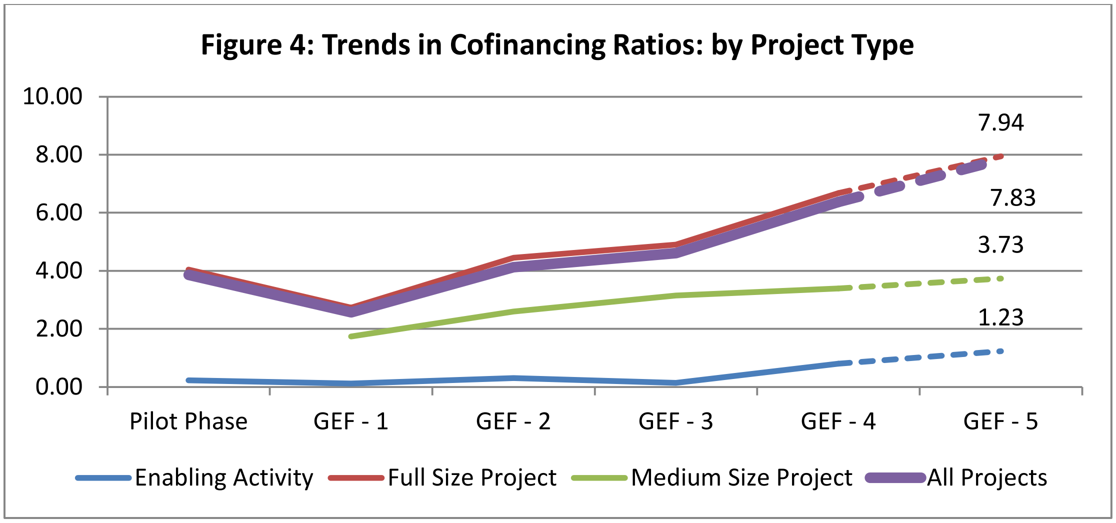
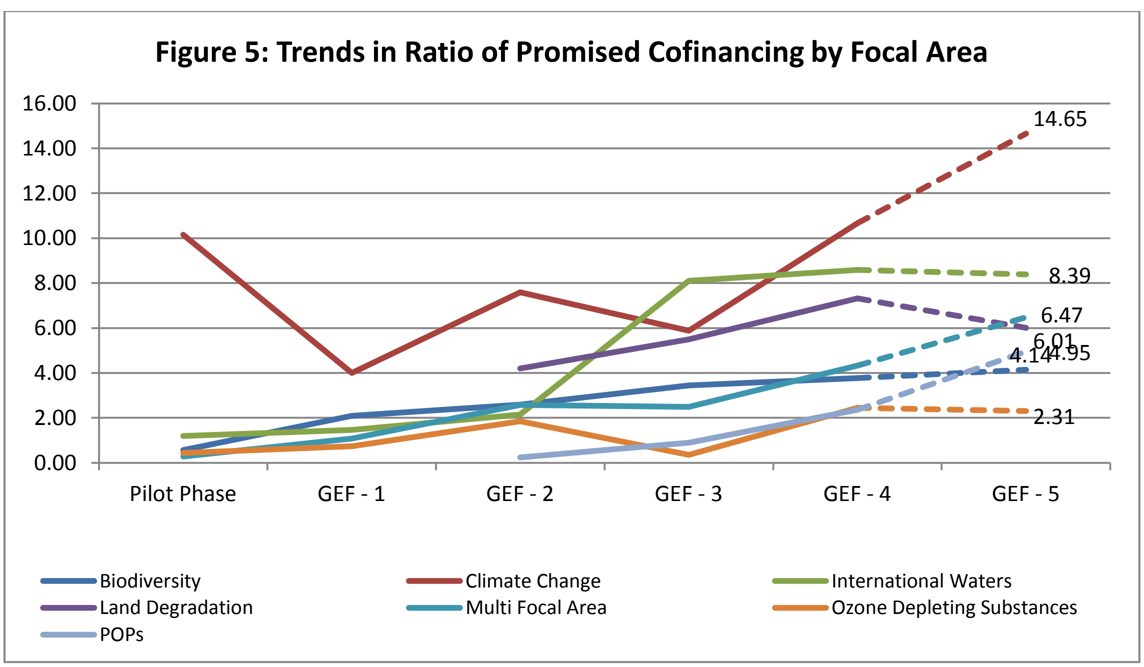


Figure 4 the trends in co-financing promised per dollar of GEF grant by project type. The graph clearly shows that FSPs have higher co-financing ratios than MSPs, whereas the co-financing ratio for enabling activities is the lowest. During GEF-4 and GEF-5 there has been a rapid increase in the promised co-financing for all project categories. Given that the FSPs account for a higher share in GEF funding, the overall co-financing ratio closely tracks the co-financing ratio for FSPs.

Figure 5 shows the trends in co-financing promised per dollar of GEF grant by focal area. Co-financing has been higher for climate change and international waters focal area. On the other hand the ratios have been lower for ozone depletion, persistent pollutants and biodiversity focal areas. Inter focal area differences are in the expected lines as kind of activities undertaken and the mix of global and national benefits differs based on the focal area.



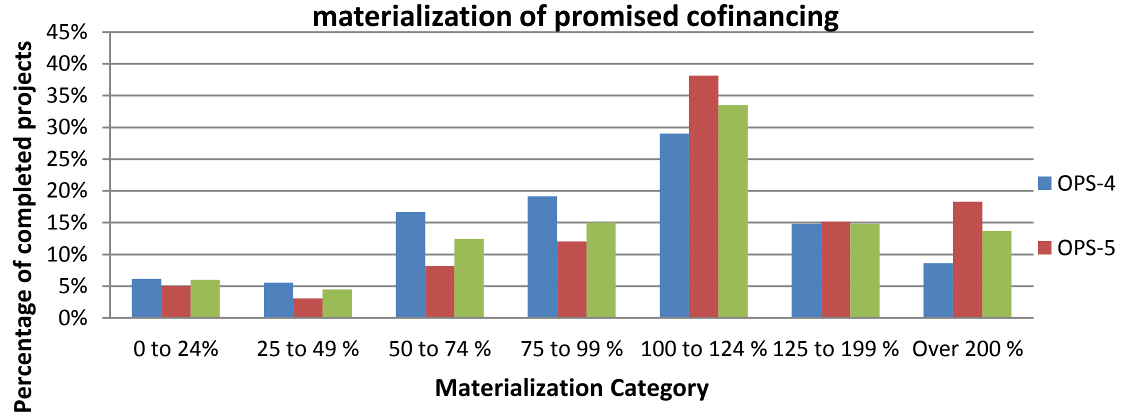
Whether co-financing (ratio) is adequate would depend on the type of the project being considered. From a performance perspective it is more important to know the extent promised co-financing is materializing. Table 4 presents the aggregate portfolio level figures for co-financing. Of the 281 completed projects of the OPS-5 cohort, i.e. completed projects that were covered for the first time in APR 2009, 2010 or 2011, or are being covered in APR 2012, for 261 projects information on materialization of co-financing had been provided by the agencies. For these 261 projects the materialized co-financing was reported to be 147 percent of the promised amount. This is considerably higher than that for the completed projects included in the OPS-4 cohort or those that pertain to earlier periods.

Table 4: Materialization of Co-financing in Completed Projects

OPS-Cohorts	Number of Projects	Data Available	GEF grants (in US $ m)	Co-financing Promised (in US $ m)	Co-financing promised per dollar of GEF grant	Co-financing materialized (in US $ m)	Co-financing materialized per dollar of approved GEF grant	Materialized co-financing per dollar of promised co-financing
Earlier Periods	75	48	282.7	1678.6	**5.94**	1537.25	**5.44**	**0.92**
OPS-4	210	162	704.9	1450.3	**2.06**	1425.55	**2.02**	**0.98**
OPS-5	281	261	1018.1	2683.0	**2.65**	3951.46	**3.88**	**1.47**
Total	566	471	1999.6	5811.3	**2.91**	6914.26	**3.45**	**1.19**

Figure 6 presents materialization of co-financing for the completed projects included in OPS-4 and OPS-5 cohort vis-à-vis expected co-financing. The figure shows that for about 72 percent of completed projects of OPS-5 cohort the actual materialization of co-financing was reported to be equal to or greater than the promised co-financing. In comparison, of the completed projects included in the OPS-4 cohort for 52 percent actual materialization of co-financing was reported to be equal to greater than the promised co-financing. The completed projects of OPS-5 cohort show an improved performance on this front.

Figure 6: Distribution of completed projects based on materialization of promised cofinancing



7.Quality of Monitoring and Evaluation at Entry

Key finding: The level of compliance with the GEF requirements for M&E arrangements in projects at the point of endorsement has improved compared to earlier periods. The quality of impact measurement arrangements was assessed to be in the satisfactory range for 69 percent of proposals for full size projects.

7.1 Compliance with minimum requirements for M&E at Entry

The Evaluation Office assesses the level of compliance with M&E requirements at entry regular intervals. The aim is to provide real time feedback to the GEF partnership on the extent project proposals have adequate arrangements that would allow effective monitoring and evaluation of the given project, and facilitate adaptive management. APR 2005 presented a pilot review that assessed quality of M&E arrangements in full size projects at the point of CEO Endorsement. APR 2008 presented results of a follow up review that took stock of the quality of M&E arrangements in the 82 full size projects that had been CEO Endorsed during FY2008. More recently APR2011 presented findings of the third review in this series – this review took stock of the quality at entry of M&E arrangements for the full size projects that were CEO endorsed in FY2011. Thus, the three reviews on quality at entry of M&E arrangements in full size projects cover proposals that had been CEO Endorsed during the GEF-3, GEF-4, and GEF-5 period, respectively.

Of the full size projects that were CEO Endorsed in FY 2011 (i.e. GEF-5 period), 80 percent were assessed to be in compliance with the minimum requirements for M&E arrangements at the point of CEO endorsement. In comparison, the pilot review (APR 2005) had assessed 58 percent of the project proposals, and the first follow up review (APR 2008) 76 percent to be in compliance of the requirements (table 5).

Table 5: Trends in compliance with minimum requirements[10] for M&E at Entry

	Parameters	2005	2008	2011
		(n = 74)	(n = 82)	(n = 80)
Minimum Criteria	Are the indicators in the logframe relevant to the chosen objectives and outcomes?	100%	100%	99%
	Are the indicators in the logframe sufficient to assess achievement of the objectives and outcomes?	76%	94%	96%
	Have the targets been specified for the indicators for project objectives and outcomes in the logframe?	89%	99%	100%
	Are the specified targets for indicators of project objective and outcomes based on initial conditions?	82%	94%	99%
	Has the complete and relevant baseline information been provided?	92%	87%	85%
	Has a separate budget been allocated to M&E activities?	92%	95%	97%
	Compliance Rate	**58%**	**76%**	**80%**

[10] As set in the GEF Monitoring &Evaluation Policy, 2006

The level of compliance of the FY 2011 cohort is statistically the same as that of the FY 2008 cohort. However, it is significantly and substantially better than that of the FY 2005 cohort. Even through difference in the compliance level between the FY2011 cohort and FY 2008 cohort is not significant, the direction of change is consistent with the trend that indicates improvement.

7.2 Quality at Entry of Arrangements for Impact Evaluation

The Second Overall Performance Study (OPS-2) pointed out that due to lack of baseline data the evaluation team had difficulty in reporting impact achievements of the completed and ongoing projects. The Third Overall Performance Study acknowledged the progress made by GEF in terms of inclusion of baselines and indicators. It, however, maintained that most projects do not generate information on quantifiable long-term impacts, and many projects do not have clear baselines, indicators on impact, or methodologies to calculate them. The Fourth Overall Performance Study (OPS4) noted that GEF has made considerable progress in establishing a results-based management framework. However, it informed that impact indicators were not fully integrated into this framework and also reported insufficient data for several projects to allow an assessment of progress to impact. Thus, quality of arrangements for impact measurements has been an issue that has been covered in the past Overall Performance Studies. Within the framework of APR 2011, the GEF Evaluation Office in collaboration with the STAP undertook a review to assess quality at entry of arrangements for impact measurements to provide real time feedback to the GEF partnership on this issue. Since this was a pilot review comparisons with the earlier cohorts were not undertaken.

This assessment required high level of subject area expertise. Therefore, 10 scientists – including STAP members – were brought on board to undertake the review. Quality of impact measurement arrangements were assessed for a representative sample of 49 full size project proposals that were endorsed by the CEO in FY 2011[11]. Each project proposal was reviewed by a panel of two experts that provided detailed feedback and an overall rating on quality of M&E arrangements to measure impact.

The review rated overall quality of impact measurement arrangements specified in project proposals to be moderately satisfactory or above for 69 percent of proposals. Forty nine percent of the proposals met a more stringent yardstick of “satisfactory” or above.

In general, project proposals that were endorsed as part of a programmatic approach tended to have lower quality-at-entry rating for impact measurement arrangements than those that were not part of such an approach. Furthermore, ratings for projects that received a GEF preparation grants tend to be higher, however the amount of the preparation grant does not seem to influence ratings.

With regards to impact indicators, 69 percent if the proposals indicators met the low quality threshold for dimensions such as scientific validity and congruence with project’s theory of change, only 16 percent of the proposals met the high threshold on these dimensions.

[11] Of the 55 proposals that had been sampled originally, 6 were identified to have little direct or proximate links with environmental stress reduction and these were excluded from the review.

Fourteen percent of the proposals met a high threshold of providing baseline information for all the specified indicators. Sixty three percent met a lower threshold of providing baseline information for most of the specified indicators along with a clarification that for the remaining indicators the baseline information will be gathered once project implementation starts.

7.3 Quality of M&E during implementation for completed projects

The Evaluation Office also tracks quality of M&E during implementation for projects that have been completed. These results are reported on through the Annual Performance Report. The review process for APR2012 is not fully complete. Therefore, the results for OPS-5 cohort of completed projects are available for only for those covered in APR 2009 to APR 2011.

The results indicate that quality of M&E during implementation was in the satisfactory range for 65 percent of completed projects of the OPS-5 cohort. Of the OPS-4 cohort 71 percent had been rated in the satisfactory range. The difference between the OPS-4 and OPS-5 cohort is not statistically significant. A fuller picture would be become available after the review process for APR2012 is completed.

8. Trends in Agency Fees

Key Finding: Compared to earlier periods, during GEF-5 the agency fees provided by the GEF for implementation of its project portfolio have reduced.

The GEF approach to management fees for project implementation has evolved. In the past two decades, the GEF expenditure on agency fees has declined. Thus, purely from a cost reduction perspective, there has been an improvement. However, the effects of cost reduction in terms of changes in quality and results of the portfolio are not well understood.

The technical paper "The Mobilization and Management of GEF Resources,"[12] prepared as an input to OPS4, addressed the issue of management fees for the implementing agencies. It reported that specialized UN agencies, UNEP in particular, were finding it difficult to meet their costs from the existing GEF payment structure. On a per-dollar basis, smaller Medium-Sized Projects (MSPs) and Enabling Activities (EAs) were reported to be more costly to administer than Full-Sized Projects (FSPs).[13] APR 2009 built on the analysis presented in OPS-4. It concluded that the GEF approach to Agency fees does not take into account differences in Agency project portfolios and assessed the existing approach to agency fees to be

[12] Markie, J. (2009). *The Mobilization and Management of GEF Resources.* OPS4 Technical Document #8.

[13] GEF projects are classified according to grant size and type of activities financed. The current classification is: FSPs = projects over $2 million; MSPs = projects up to $2 million; EAs = activities related to the conventions on biodiversity, climate change, and persistent organic pollutants, and which include assistance to countries in preparing national inventories, strategies, action plans and reports under these conventions. The threshold for EAs varies according to focal area, and is roughly $500 million, above which a different Agency fee is used and FSP processing rules apply. Another grant type is Programmatic Approach (PA) = grants administered together, and which share certain unifying objectives. The Agency fee for PAs depends upon whether the PA is approved by executive board or not. Additionally there is the Small Grants Program (SGP) = a GEF-funded program implemented by UNDP that awards small grants up to $50,000 each.

disadvantageous to the Agencies whose portfolios contain a larger proportion of medium-size projects and enabling activities than of full-size projects.

In May 2012 the GEF Council approved a new fee structure for implementing agencies that provided some flexibility in the fee rate based on the size of the project grant (GEF/C.42/08). This policy came into January 2013[14]. Several implementing agencies expressed their concerns that the new approach as does not adequately provide for the costs that they incur. Given that the policy has been implemented recently, and also there has been a push for reforming the project preparation and approval processes, the net effect of the new approach to agency fee and efforts to reduce burden of the implementing agencies is not well understood.

8.1 Definitions

Based on the proposed reporting structure in the "Guidelines for Agencies' Reporting of Administrative Expenses" (GEF 2008), Agency costs are here classified into two broad categories:

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

The GEF provides for different types of Agency costs through fees, defined as:

- Project fees – fees paid to cover the project cycle management costs of Agencies.
- Corporate fees – fees paid to cover the corporate activity costs of Agencies.
- Agency fees – the total fees paid to Agencies by the GEF, which is the sum of Project and Corporate fees.

8.2 GEF Approach to Agency Fees

The GEF approach to Agency fees has changed over time, with five distinct policy periods:

FY 1991-1999

From the GEF's inception in 1991 through 1999 there were three Implementing Agencies - UNDP, UNEP, and the World Bank. The GEF provided support to these Agencies through a separately negotiated corporate budget that included both Corporate and Project fees. This corporate budget was allocated based on an Agency's anticipated expenses in a given year, and not directly linked to individual projects.

[14] Joint Summary of the Chairs, GEF Council Meeting, June 5 to June 7, 2012

FY 2000-2005

The GEF approach to Agency fees shifted in FY 2000. Corporate fees were provided to UNDP, UNEP, and the World Bank, however, Project fees were now covered on the basis of flat fees which varied with the type of project.[15] Additional premiums – negotiated on a case-by-case basis – were provided for certain FSPs of a global, regional, joint, or add-on nature, to cover the additional costs of implementing these projects. Twenty-seven percent of FSPs approved during this period were awarded premiums.

FY 2006-2007

To streamline the approach to calculating Agency fees, GEF policy switched in FY 2006 to a uniform, percentage-based fee of 9 percent covering the total aggregate GEF grants implemented by an Agency. This was to cover Project fees. Corporate fees were still provided to UNDP, UNEP and the World Bank.

FY 2008-2012

As the number of GEF Implementing Agencies grew to include seven additional Agencies with direct access to GEF funds, concerns were raised that these new Agencies were at a disadvantage because they did not receive the Corporate fees provided to UNDP, UNEP, and the World Bank. To address this inconsistency, the GEF Council decided to abolish the corporate budget for GEF Agencies. In place, the Agency fee rate was increased from 9 to 10 percent, and was intended to provide for both Corporate and Project fees. Fee for projects approved under a programmatic approach was either 8.0 percent or 9.0 percent depending upon the type of program. The fee for the Small Grants Program was at 4.0 percent, although it was higher for instances where additional funding was made available from the country allocations. Table 8 provides a summary of the effective agency fees for different types of approaches funded during this period.

January 2013 to present

GEF Agency fees were adjusted downward, and also further distinguished on the basis of size. For GEF project grants up to $10 million, Agencies receive 9.5 percent of the grant amount as agency fees. For GEF project grants above $10 million, Agencies receive 9 percent of the grant. No changes were made to the fees awarded for programmatic approaches or under the Small Grants Programme. New project Agencies accredited under the policy of broadening the GEF network are compensated at 9 percent of the GEF grant. Table 6 summarizes the GEF approach to Agency fees from 1991 to the present.

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[15] Four project categories were used to assign Project fees during this period: EAs; MSPs; FSP-technical assistance projects; and FSP-investment projects. Also, during this period the threshold for MSPs was $1 million or below.

Table 6: GEF approach to Agency fees, 1991 to present

Period	GEF Approach to Agency Fees
FY 1991-99	Single budget provided to each of the 3 Implementing Agencies based on anticipated expenses for the year. Budget included both Corporate and Project fees.
FY 2000-05	Agency fees include: (1) separate corporate budget; and (2) project cycle activities calculated on basis of a flat-fee depending on project classification, with additional negotiated premiums given to certain FSPs (27% of projects).
FY 2006-07	Agency fees provided through a uniform, percentage-based fee (9%) applied to the total aggregate GEF grant for approved projects. Separate corporate fee still provided to UNDP, UNEP, and the World Bank.
FY 2008-12	Separate corporate budgets dropped. Single, percentage-based fee of 10% provided, and intended to cover both Corporate fees and Project fees. Separate fee structure for projects under programmatic approach.
January 2013 to present	Two tiered percentage-based fee structure: 9.5% for grants up to $10 million; 9% for grants above $10 million. No changes to the fee structure for PAs or grants awarded under the SGP.

8.3 Implications of the GEF Approach to Agency Fees

The GEF approach to Agency fees can be seen as an attempt to meet the objectives of cost-effectiveness, transparency, reasonableness (which is related to cost-effectiveness), as well as providing sufficient incentives to fully capture the comparative advantages of the different Implementing Agencies. Following the change in FY 2008, where corporate fees were dropped and a single percentage-based fee was provided, UNEP task managers voiced concerns that the support provided to UNEP for meeting project cycle costs was inadequate.[16] Among GEF Agencies, UNEP has the highest proportion of MSPs and EAs. The recent move to a two-tiered percentage-based fee structure is in part a response to this concern, and an effort to ensure that Agencies' portfolio choices are driven by Agencies' comparative advantages, and not because incentives are higher for one particular project type.

Table 7: Agency fees as a percentage of approved grants for GEF projects

Period	UNDP	UNEP	World Bank	Other IAs	Overall GEF
FY 1991-99	8+	20+	11	__	11+
FY 2000-05	11	12	11	__	11
FY 2006-07	12	11	10	9	11
FY 2008-12	8.8	9.8	9.3	9.5	9.2

Note – there is insufficient data to report on Agency Fees for the current policy begun in Jan 2013. Also for period before FY 2008, the figures involve an error range which makes it difficult to provide more accurate estimates.

Table 7 shows the Agency fees provided to the different GEF agencies up to the close of FY 2012. Following an initial period (FY 1991-99) where there was a high degree of variability in the level of Agency fees provided, Agency fees have become more or less uniform across the GEF Agencies. The effective rate of agency fee has also shown a decline. As noted above, this may have provided disincentives for Agencies such as UNEP that historically have had a

[16] GEF Annual Performance Review 2009. Chapter 7, GEF Approach to Agency Fees.

higher mix of MSPs and EAs in their portfolios. It remains to be seen how effective the new GEF policy on Agency fees, begun in January 2013, will be in addressing this concern.

Table 8: Effective Agency Fees During the 2008 to 2012 Period for Different Approaches

Approach	UNDP	UNEP	World Bank	Other IAs	Total
Non-programmatic	9.9%	9.8%	10.0%	10.1%	9.9%
Programmatic (without SGP)	9.4%	9.7%	8.4%	8.8%	8.8%
Small Grant Programme (SGP)	4.6%	__	__	__	4.6%
All programs and projects	8.8%	9.8%	9.3%	9.5%	9.2%

One policy component affecting Agency costs and fees, but which is not evident from the above discussion, is efforts by the GEF Council to reduce costs through streamlining of the project cycle. The most recent of these policy changes came in November 2012, where a set of streaming measures, including raising the MSP threshold from $1 to $2 million, was adopted by the GEF Council.[17] Thus while the overall trend is a reduction in Agency fees, this is intended to capitalize on cost efficiencies achieved through refining of procedures and practices throughout the GEF partnership.

9.Trends in Project Cycle

Key Finding: There are early indications that compared to GEF-4 the time lag between PIF approval and CEO endorsement of full size projects has reduced significantly for the GEF-5 period. However, given the relatively small number of observations so far on the GEF-5 period, this needs to be further verified.

Time taken in preparation and approval of GEF projects prior to their implementation has in past been an area of concern. 'Joint Evaluation of the GEF Activity Cycle and Modalities' (GEF EO 2007), presented an in depth analysis of the time lags at various stages of the cycle. The evaluation concluded that that the lag time for proposals awaiting approval had become unacceptably long and recommended a "radical redrawing of the cycle". Taking note of the evaluation findings and recommendations, a new project cycle was approved by the GEF Council in June 2007. For the GEF-4 period a business standard of 22 months or less was established for time elapsed between PIF approval and endorsement by CEO for full size projects (GEF/C.31/7). During its July 2010 meeting, the Council further revised the business standard to 18 months for the full size projects (GEF/C.38/5/Rev.1). While there have been minor changes in the project cycle requirements, the cycle has remained more or less the same since June 2007.

Figure 7 and Figure 8 compare the performance of the GEF partnership in terms of time taken by the proposals for full size projects from the point of PIF approval to endorsement by the CEO. Given that the data used for the First Report of OPS-5 has a cut-off date of 30th of September 2012; very few project proposals of the GEF-5 period that have received PIF approval have been in the cycle for sufficiently long to facilitate time lag analysis. Nonetheless, there are early indications that the time lag between PIF approval and CEO

[17] GEF Council Meeting documents from November 13-15, 2012. Streamlining of Project Cycle.

endorsement has reduced for full size projects of GEF-5. By the end of eighteen months, more than half of the PIF approved project proposals for full size projects of GEF-5 had been CEO endorsed. In comparison, only a third of proposals for full size projects of the GEF-4 period had received endorsement from the CEO within 18 months. This early result may not hold and may turn out to be an aberration once more data becomes available. In the final report of OPS-5, the Evaluation Office will be able to take data for a significantly greater number of projects into account and conclude on this topic with greater confidence.

Figure 7: Time taken (in months) by the proposals for full size projects from PIF approval to endorsement by the CEO (including proposals under programmatic approach)

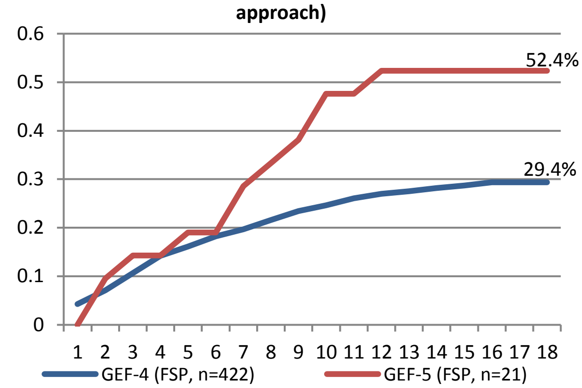
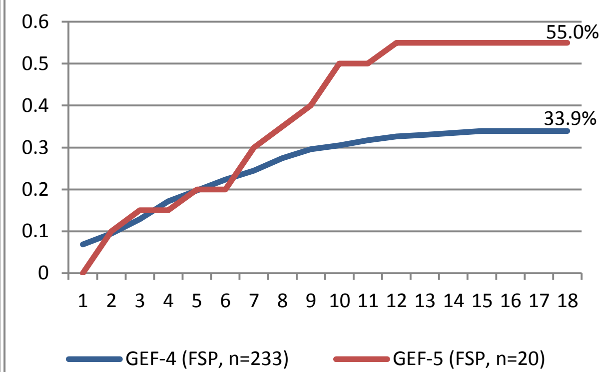


Figure 8: Time taken (in months) by the proposals for full size projects from PIF approval to endorsement by the CEO (Excluding projects under programmatic aproach)



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

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