

## GEF EO Terminal Evaluation – Project ID 1229

1. PROJECT DATA				
GEF Project ID:		1229	Review date: 02/05/2010	
IA/EA Project ID:			<u>at endorsement</u> (Million US\$)	<u>at completion</u> (Million US\$)
Project Name:		EBRD / GEF Environmental Credit Facility	<b>GEF financing:</b> 9.99	9.99
Country:		Slovenia	IA/EA own: Euro 45 Or US\$48.91 (conversion\$1= €0.92)	Euro 45 Or US\$ 58.44 (conversion\$1= €0.77)
			Government:	
			Other*:	
			<b>Total Cofinancing</b>	
Operational Program:		OP 8 (International Waters)	<b>Total Project Cost:</b> US\$58.98	US\$68.43
IA		The World Bank	<u>Dates</u>	
Partners involved:		European Bank for Reconstruction and Development (EBRD) and E-NETSI	Effectiveness/ Prodoc Signature (i.e. date project began)	
			Closing Date	Proposed: February 2007
Prepared by:		Reviewed by:	Duration between effectiveness date and original closing (in months): UA	
Rajesh Koirala		Ines Angulo	Duration between effectiveness date and original closing (in months): 48 months	Difference between original and actual closing (in months): UA
Author of TE: Dr. Arthur Dennis Long and Ms. Marie-Karin Godbout			TE completion date: July 2009	TE submission date to GEF EO: December 2009
			Difference between TE completion and submission date (in months): 5 months	

\* Other is referred to contributions mobilized for the project from other multilateral agencies, bilateral development cooperation agencies, NGOs, the private sector and beneficiaries.

### 2. SUMMARY OF PROJECT RATINGS AND KEY FINDINGS

Please refer to document GEF Office of Evaluation Guidelines for terminal evaluation reviews for further definitions of the ratings.

Performance Dimension	Last PIR	IA Terminal Evaluation	IA Evaluation Office evaluations or reviews	GEF EO
2.1a Project outcomes	--	MS	--	MS
2.1b Sustainability of Outcomes	N/A	L	--	L
2.1c Monitoring and evaluation	--	MS	--	S
2.1d Quality of implementation and Execution	NA	NA	NA	S
2.1e Quality of the evaluation report	N/A	N/A	--	S

2.2 Should the terminal evaluation report for this project be considered a good practice? Why?

Yes. The terminal evaluation thoroughly assesses the effectiveness of the Credit Facility, and provides lessons learned and recommendations applicable for future projects.

2.3 Are there any evaluation findings that require follow-up, such as corruption, reallocation of GEF funds, mismanagement, etc.?

No such instance has been reported in the terminal evaluation.

**3. PROJECT OBJECTIVES**

<b>3.1 Project Objectives</b>				
<b>a. What were the Global Environmental Objectives of the project? Were there any changes during implementation?</b>				
According to the project appraisal document, the project goal was “ <i>Reducing trans-boundary water pollution in the Danube River Basin (DRB).</i> ”				
As per the information provided in the terminal evaluation, there was no change in the project goal.				
<b>b. What were the Development Objectives of the project? Were there any changes during implementation? (describe and insert tick in appropriate box below, if yes at what level was the change approved (GEFSEC, IA or EA)?</b>				
According to the project appraisal document, the project had two purposes:				
1. “ <i>Reduction of industrial, municipal and agricultural point-source water pollution (nutrient and toxic substance) in Slovenia.</i> ”				
2. “ <i>Demonstration of project concept based on financial intermediary/private sector partnership in pollution reduction.</i> ”				
No change in the purpose of the project has been noted in the terminal evaluation.				
<b>Overall Environmental Objectives</b>	<b>Project Development Objectives</b>	<b>Project Components</b>	<b>Any other (specify)</b>	
<b>c. If yes, tick applicable reasons for the change (in global environmental objectives and/or development objectives)</b>				
<b>Original objectives not sufficiently articulated</b>	<b>Exogenous conditions changed, due to which a change in objectives was needed</b>	<b>Project was restructured because original objectives were over ambitious</b>	<b>Project was restructured because of lack of progress</b>	<b>Any other (specify)</b>

**4. GEF EVALUATION OFFICE ASSESSMENT OF OUTCOMES AND SUSTAINABILITY**

**4.1.1 Outcomes (Relevance can receive either a satisfactory rating or a unsatisfactory rating. For effectiveness and cost efficiency a six point scale 6= HS to 1 = HU will be used)**

<b>a. Relevance</b>	<b>Rating: S</b>
According to the project appraisal document outcomes of the project are consistent with the GEF Operational Program 8 (International waters). As stated in the project document, the outcomes are relevant to the country priorities as well. Slovenia is a signatory of the Convention for Co-operation for the Protection and Sustainable Use of the Danube River, and the project would contribute to the implementation of the Convention. Moreover, the Danube River basin is a priority area for GEF support.	

<b>b. Effectiveness</b>	<b>Rating: MS</b>
<p>As explained in the terminal evaluation, the Credit Facility succeeded to achieve pollution reduction objective, but it failed to replicate similar projects in other regions, as targeted in the project document. Based on the information available in the terminal evaluation, further discussion on project achievement is presented below:</p> <p>The Credit Facility contributed to reduce industrial, municipal, and agricultural point-source water pollutants, both nutrients and toxic substances, in Slovenia. Four national banks participated in the Credit Facility as Financial Intermediaries (FI). Financial Intermediaries financed companies and municipalities for 49 projects through the Credit Facility, 13 projects more than anticipated during the project design. These projects reduced the discharge of industrial, municipal and agricultural pollutants. According to a case study conducted in December 2009, all the projects completed installing equipments, and are properly functioning. The projects directly assisted companies and municipalities in meeting national and European Union (EU) environmental standards, including Environmental Impact Assessment (EIA) and Integrated Pollution Prevention and Control (IPPC). A sample of eight projects, visited by the terminal evaluation team, either met or exceeded the EU standard by 5%. Most of the clients were able to meet 2007 deadline of complying with the revised national water law. However a weakness of the Credit Facility was that it favoured financially healthiest and largest industrial companies, causing the exclusion of companies requiring financial support to pollution reduction.</p> <p>One of the objectives of the Credit Facility was to demonstrate the project concept, financial intermediary/private sector partnership in pollution reduction. It was anticipated in the project document that demonstration effects of process optimization, wastewater minimization through the use of new technologies would lead to replication of the Credit Facility in other Danube River Basin countries. Although the Credit Facility became a successful case, the promotion and demonstration of innovative water pollution reduction technologies did not materialise.</p>	
<b>c. Efficiency (cost-effectiveness)</b>	<b>Rating: S</b>
<p>According to the terminal evaluation, the EBRD disbursed loans faster for these projects than for other investments. It also had shorter pay-back period (7 years). The borrowing companies applied a wide range of technologies; including upgrade of material storage to avoid accidental release of pollutants into the Danube River, recycle of waste waters to minimize discharge, and traditional waste water treatment plants to deal with both nutrients and toxics. These technologies contributed to save resources. For example a laundry service company installed a new wastewater treatment system with a new cooling device and an energy recuperation unit. Before this system, waste water used to have 40 °C temperature, but after the water was cooled down to 26 °C. The recuperated energy was re-used in laundry process, which made it more efficient, requiring less energy.</p>	

#### 4.1.2 Impacts: summarize the achieved intended or unintended impacts of the project.

<p>Based on the information presented in the terminal evaluation, the Credit Facility proved that public private partnership is feasible for investment on water pollution reduction measures. This success has led concerned stakeholders to think about investment on air pollution reduction options. It helped to implement EBRD's Environmental Policy and the "Convention for Co-operation for the Protection of Sustainable Use of the Danube River". From the borrowers' perspective, private companies (25 per cent of the total companies in Slovenia) have been more competitive in the European market by fully complying with IPPC. Sludge generated in the process of waste water treatment was transported to regional bio-gas plants, converting the waste material into energy.</p>
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**4.2 Likelihood of sustainability.** Using the following sustainability criteria, include an assessment of risks to sustainability of project outcomes and impacts based on the information presented in the TE. Use a four point scale (4= Likely (no or negligible risk); 3= Moderately Likely (low risk); 2= Moderately Unlikely (substantial risks) to 1= Unlikely (High risk)). The ratings should be given taking into account both the probability of a risk materializing and the anticipated magnitude of its effect on the continuance of project benefits.

<b>a. Financial resources</b>	<b>Rating: L</b>
<p>The terminal evaluation states that the companies who borrowed money from the EBRD are in good financial condition, and are repaying their loans. They have set up financing plans for their upcoming water pollution reduction investments, irrespective of the external funding.</p>	
<b>b. Socio political</b>	<b>Rating: L</b>
<p>According to the terminal evaluation, borrowing companies are interested in investing in water pollution reduction measures, so are the financial institutions.</p>	
<b>c. Institutional framework and governance</b>	<b>Rating: L</b>
<p>As mentioned in the terminal evaluation Slovenia has policies and regulatory frameworks related to water pollution. The companies are subject to strict and monitored government emission standards, and non compliance of the standards result in taxes, fines or closure of their operations. The EBRD also has a network of financial intermediaries capable of continuing the investment on water pollution reduction.</p>	

<b>d. Environmental</b>	<b>Rating: L</b>
<p>There seem to be no environmental risk. A potential problem of wastewater treatment is the creation of sludge which itself must be treated. A few of the plants used the sludge in associated bio-gas plants. The majority of the plants transported the sludge to regional bio-gas plants, thus converting the waste material into energy. Only one of the plants, visited by the terminal evaluation team, incinerated their sludge.</p>	

#### 4.3 Catalytic role

<p><b>a.. Production of a public good</b> Based on the information given in the terminal evaluation it can be stated that the Credit Facility created a secondary market for design and construction of wastewater treatment facilities. Storage for industrial chemicals and construction of waste water treatment plants enhanced employment opportunities at the local level. Through the use of improved technologies, the Credit Facility contributed to conserve public resources, heat and water, and municipalities and firms benefited by reduced water treatment costs. All the stakeholders involved in the Credit Facility have increased awareness level of environmental impacts of their firms, and they have been more skillful to deal with similar issues. Reduction of discharge of pollutants into the river decreased the incidence of water borne diseases, so causing reduced health cost for people. It also contributed aquatic ecosystem become healthier. All of these causal links assisted to improve quality of life in neighboring communities.</p>
<p><b>b.. Demonstration</b> The desired demonstration effect in the industrial wastewater sector has not occurred.</p>
<p><b>c.. Replication</b> Although there were no cases of replication in pollution control, according to the terminal evaluation, the EBRD replicated the model on energy efficiency. The EBRD developed the Bulgarian Energy Efficiency and Renewable Energy Credit Line (BEERECL) in 2004, in close co-operation with the Bulgarian Government and the European Union. The BEERECL provides loans to participating banks for lending to private sector companies and households for industrial energy efficiency and small renewable energy projects. With a view to replicate the model, the EBRD commissioned a subsequent regional demand study in 2005-2006 covering water pollution, energy efficiency and small scale renewable energy to cover Croatia, Bosnia and Herzegovina, Serbia, Montenegro, FYR Macedonia and Albania.</p>
<p><b>d.. Scaling up</b> No mention of any scaling up of project achievements.</p>

#### 4.4 Assessment of processes and factors affecting attainment of project outcomes and sustainability.

<p><b>a. Co-financing.</b> To what extent was the reported cofinancing (or proposed cofinancing) essential to achievement of GEF objectives? Were components supported by cofinancing well integrated into the project? If there was a difference in the level of expected co-financing and actual co-financing, then what were the reasons for it? Did the extent of materialization of co-financing affect project's outcomes and/or sustainability? If it did, then in what ways and through what causal linkages?</p>
<p>According to the terminal evaluation, the EBRD had committed to co-finance Euro 45 million, and it fulfilled its commitment. GEF funding represented only 15% of the total budget, so without the co-financing the Credit Facility (CF) might not have been put in place. Moreover, since the goal of CF was to test the model of public private partnership investment on water pollution reduction, it can be inferred that co-financing from institutions other than the GEF was essential.</p>
<p><b>b. Delays.</b> If there were delays in project implementation and completion, then what were the reasons for it? Did the delay affect the project's outcomes and/or sustainability? If it did, then in what ways and through what causal linkages?</p>
<p>The concept of the Credit Facility emerged in 2000, but it was set up only in 2004. Since individual companies had to comply with IPPC directives by 2007, they seek for alternatives rather depending on operation of the Credit Facility. According to the terminal evaluation, benefits of the Facility could be "more significant" if it was initiated earlier than 2004.</p>
<p><b>c. Country Ownership.</b> Assess the extent to which country ownership has affected project outcomes and sustainability? Describe the ways in which it affected outcomes and sustainability highlighting the causal links.</p>
<p>Based on the evidence presented in the terminal evaluation, the country ownership did not directly affect the Credit Facility during implementation. However, already existing policy frameworks developed by the government to meet the EU standards on pollution before the 2007 deadline motivated public/private companies to participate in the Credit Facility.</p>

#### 4.5 Assessment of the project's monitoring and evaluation system based on the information in the TE

<b>a. M&amp;E design at Entry</b>	<b>Rating (six point scale): MS</b>
<p>The project document includes a brief discussion on operational set up for M&amp;E. As mentioned in the document, the financial intermediaries would prepare reports on borrower's performance, both environmentally and financially, and submit it to the EBRD semi-annually. Then the EBRD would oversee the overall performance of both financial intermediaries and individual projects. An independent expert would be contracted for mid-term and terminal evaluation. Indicators to measure the performance of the Credit Facility are present, but most of them are not SMART. The M&amp;E plan also indicates that the result of M&amp;E would be disseminated nationally and internationally, but no further specifications were made such as who would do it and how.</p>	
<b>b. M&amp;E plan Implementation</b>	<b>Rating (six point scale): S</b>
<p>According to the terminal evaluation, a mid-term evaluation was not conducted. Regarding the reason of not doing so, the terminal evaluation report states, "When the EBRD Evaluation Department contacted the GEF Evaluation Office to inquire about the need for a mid-term evaluation, the GEF evaluation office advised that it was not necessary." The final evaluation was carried out, but its timing did not favor a wide consultation about the project results, with relevant NGOs, national interest groups and environmental technology firms. The terminal evaluation mentions that EBRD monitored the operation and loan repayment of participating banks, and the participating banks, by hiring independent consultants, carefully selected and "strictly" monitored the performance of individual projects.</p>	
<p>b.1 Was sufficient funding provided for M&amp;E in the budget included in the project document? No separate budget was explicitly allocated to M&amp;E in the project document.</p>	
<p>b.2a Was sufficient and timely funding provided for M&amp;E during project implementation? Unable to assess</p>	
<p>b.2b To what extent did the project monitoring system provided real time feed back? Was the information that was provided used effectively? What factors affected the use of information provided by the project monitoring system? The documents available for this review give no indication that the project monitoring system provided real time feedback. The terminal evaluation does not provide information on to what extent monitoring feedback was incorporated in the project, but it states that the monitoring system ensured both participating banks and individual projects execute as per prior agreement.</p>	
<p>b.3 Can the project M&amp;E system (or an aspect of the project M&amp;E system) be considered a good practice? If so, explain why. Yes, an M&amp;E system should be considered a good practice. According to the terminal evaluation, EBRD carefully selected and closely monitored the participating banks to ascertain their operation as per agreement, good financial condition and loan repayment. Environmental consultants visited each sub project sites three times – for project approval, for project completion verification and for the final monitoring report one year after project completion – and ensured that everything went as expected. The terminal evaluation states that screening and monitoring service provided by the consultants was "paramount" to the success of the Credit Facility. The participating banks submitted annual environmental reports to EBRD.</p>	

#### 4.6 Assessment of Quality of Implementation and Execution

<b>a. Overall Quality of Implementation and Execution (on a six point scale): S</b>
<b>b. Overall Quality of Implementation – for IA (on a six point scale): S</b>
<p>Briefly describe and assess performance on issues such as quality of the project design, focus on results, adequacy of supervision inputs and processes, quality of risk management, candor and realism in supervision reporting, and suitability of the chosen executing agencies for project execution.</p> <p>In all the available resources for this review, no information is presented about the role played by the implementing agency, the World Bank, during implementation of the Credit Facility. Regarding the project design and selection of an executing agency, the implementing agency did sound performance.</p>

**c. Quality of Execution – for Executing Agencies<sup>1</sup> (rating on a 6 point scale) S**

Briefly describe and assess performance on issues such as focus on results, adequacy of management inputs and processes, quality of risk management, and candor and realism in reporting by the executive agency.

According to the terminal evaluation, EBRD’s loan disbursement for this investment was more user-friendly and quicker than for other usual businesses. The process of loan disbursement, including the project evaluation by the independent consultant, took only two weeks. All projects were executed smoothly, without causing resettlement or labor issue. The EBRD met the reporting requirement by preparing semiannual progress reports, a final report, and a final audited financial statement within six months of project completion. To ensure water pollution reduction, the consultant was involved at the monitoring and advisory level as well. The EBRD faced an issue of slow disbursement of the GEF resources. To overcome this issue, the EBRD provided resources to the financial intermediaries after the completion of each project. A weakness of the executing agency is that the companies were selected based on first-come-first-served basis, instead of their financial need and commitment to water pollution reduction investment. The weakness of EBRD consists in that it was not able to effectively ensure that the participating banks gave loans to institutions/companies that really needed the money such as municipalities and large livestock farms. Instead the participating banks favored sub-borrowers in excellent financial conditions.

**5. LESSONS AND RECOMMENDATIONS**

Assess the project lessons and recommendations as described in the TE

**a. Briefly describe the key lessons, good practice or approaches mentioned in the terminal evaluation report that could have application for other GEF projects**

Lessons learned from this project, as presented in the terminal evaluation, are presented below:

1. Organizing project start-up workshops involving all the key stakeholders is an important step to ensure full participation and collaboration of stakeholders during the project implementation.
2. To achieve full compliance of companies with environmental standards, in addition to financial incentives and subsidies, strong rules and regulations and their effective enforcement are necessary.
3. To promote replication, both the GEF and an executing agency need to have a concurrent project approach. In case of this project, the EBRD’s model is to respond to project demand, whereas the GEF’s model is to create and promote project concepts. Due to this divergence, the EBRD could not replicate the projects in other Danube River Basin Countries.

**b. Briefly describe the recommendations given in the terminal evaluation**

The terminal evaluation recommends that the EBRD contribute to the international efforts of addressing pollution in the Danube River Basin by replicating this model in other regions. For this, the terminal evaluation, suggests the EBRD investigate (1) the potential for use of the EBRD’s Fund, or GEF, or other donors, to provide grant financing, and (2) the interest and willingness of financial intermediaries and other stakeholders to implement similar programs in neighboring countries.

<sup>1</sup> Executing Agencies for this section would mean those agencies that are executing the project in the field. For any given project this will exclude Executing Agencies that are implementing the project under expanded opportunities – for projects approved under the expanded opportunities procedure the respective executing agency will be treated as an implementing agency.

## 6. QUALITY OF THE TERMINAL EVALUATION REPORT

### 6.1 Comments on the summary of project ratings and terminal evaluation findings based on other information sources such as GEF EO field visits, other evaluations, etc.

NA

Provide a number rating 1-6 to each criteria based on: Highly Satisfactory = 6, Satisfactory = 5, Moderately Satisfactory = 4, Moderately Unsatisfactory = 3, Unsatisfactory = 2, and Highly Unsatisfactory = 1. Please refer to document GEF Office of Evaluation Guidelines for terminal evaluations review for further definitions of the ratings. Please briefly explain each rating.

6.2 Quality of the terminal evaluation report	Ratings
<p><b>a. To what extent does the report contain an assessment of relevant outcomes and impacts of the project and the achievement of the objectives?</b> The report describes relevant outcomes and achievement of the objectives in a comprehensive manner.</p>	S
<p><b>b. To what extent the report is internally consistent, the evidence is complete/convincing and the IA ratings have been substantiated? Are there any major evidence gaps?</b> The evidence is complete and ratings have been substantiated. However, there are a few cases of inconsistency. For example, in some sections the report considers the EBRD as an EA and the World Bank as an IA, but in others the EBRD as an IA.</p>	S
<p><b>c. To what extent does the report properly assess project sustainability and /or a project exit strategy?</b> It properly assesses project sustainability.</p>	S
<p><b>d. To what extent are the lessons learned supported by the evidence presented and are they comprehensive?</b> Lessons learned are evidence based and comprehensive.</p>	S
<p><b>e. Does the report include the actual project costs (total and per activity) and actual co-financing used?</b>  The report includes actual expenditure per activity of total GEF resources, but it does not provide information on per activity co-financing.</p>	MS
<p><b>f. Assess the quality of the reports evaluation of project M&amp;E systems?</b> The report describes M&amp;E at design and implementation.</p>	S

## 7. SOURCES OF INFORMATION FOR THE PRERATATION OF THE TERMINAL EVALUATION REVIEW REPORT EXCLUDING PIRs, TERMINAL EVALUATIONS, PAD.

NA