The Annual Performance Report (APR) is prepared each year by the Evaluation Office of the Global Environment Facility (GEF). It presents an account of some aspects of project results, of processes that may affect project results, and of monitoring and evaluation (M&E) arrangements in completed projects. The APR aims to provide the GEF Council, Implementing Agencies, and other GEF stakeholders with feedback to help improve the performance of GEF projects. Following on previous APRs, the report for fiscal year (FY) 2007 includes information on GEF project outcomes, sustainability, cofinancing, quality of M&E, and quality of terminal evaluations. (The GEF fiscal year runs from July 1 to June 30.) This year the Evaluation Office also piloted a methodology to verify the findings of the terminal evaluations in the field. This APR also assesses the extent to which capacity development activities in GEF projects are relevant, effective, and efficient, as well as the results and sustainability of the results of these activities. In addition, the 2007 report reviews the carbon footprint policies and guidelines of GEF institutions and Agencies, and, for the first time, presents a performance matrix summarizing the performance of GEF Agencies and the Secretariat on various parameters tracked by the Evaluation Office. The matrix will become a regular feature of the APR.

The findings reported in the APR are based on various sources of information:

- Findings on materialization of cofinancing are based on a review of the 157 of 223 terminal evaluation reports for completed GEF projects that provided such information.

- Findings on capacity development activities in GEF projects are based on detailed country case studies in Vietnam and the Philippines and on the 41 terminal evaluation reports submitted during 2007.

- Findings on how well GEF Agencies are addressing greenhouse gas emissions generated by internal operations are based on a survey of their policies and initiatives.

### Findings

#### Results

The percentage of completed projects with outcome ratings in the satisfactory range is close to the 75 percent target agreed on in the GEF-4 (2006–10) replenishment agreement. Of 41 completed projects assessed, 73 percent were rated moderately satisfactory or above in outcome achievement and 59 percent were rated moderately likely or above in sustainability of outcomes. These outcome ratings are lower than for projects assessed in FYs 2005 and 2006, but it is not clear if this constitutes a trend. Half of the projects rated moderately satisfactory or above in outcomes were also rated moderately likely or above in sustainability.

#### Processes

The materialization of cofinancing reported by the Implementing Agencies was about three-fourths of that promised at project approval. In FY 2007, $1.90 (73 percent) of the $2.60 promised in cofinancing for every $1.00 of approved GEF investment materialized, whereas the same figures for the 157 projects for which the Evaluation Office has cofinancing information since FY 2002 averaged 92 percent. Because projects vary greatly in levels of GEF investment, promised cofinancing, and reported materialized cofinancing, it is important to note that a few projects can skew figures for any one fiscal year.

#### Results of capacity development activities in completed GEF projects are generally positive and sometimes significant; however, many gains are not sustained. A common underlying weakness in the projects is the tendency to plan and execute training as a “one-shot” solution with little consideration for national or regional context. Both country case studies of capacity development activities and review of terminal evaluations
revealed that capacity development on the systemic level must be realistic; overambitious goals to change policies or laws, when not attained, may adversely affect implementation of other project components. In addition, institution strengthening requires baselines and assessments to determine how new capacity will be absorbed.

**Monitoring and Evaluation**

Quality at entry of M&E arrangements is strongly associated with actual quality of monitoring during implementation. Of the 33 projects with sufficient information for rating, 20 (61 percent) were rated moderately satisfactory or above on the quality of monitoring during implementation. An assessment of the quality of M&E arrangements at entry revealed that 27 (68 percent) were moderately satisfactory or above. Of 24 projects so rated, 18 (75 percent) had M&E ratings in the same range during implementation, confirming APR 2006 findings of a strong association.

The overall quality of terminal evaluation reports has significantly improved, but further improvement is needed in reporting financial information. In FY 2007, 39 (95 percent) of 41 terminal evaluation reports submitted were rated as moderately satisfactory or above in quality, maintaining a trend of improvement since FY 2004. Almost half these reports (44 percent), however, did not provide adequate information on financial performance, making assessment of the impact of actual financial performance on project results difficult.

**Greenhouse Gas Footprint**

The GEF Agencies are on the right track in addressing the greenhouse gas emissions of their internal operations; however, most are in the early stages of developing and adopting a comprehensive management strategy on greenhouse gases. An Evaluation Office assessment revealed that all the Agencies have taken action to varying degrees. United Nations agencies are working to reduce greenhouse gas emissions as part of a U.N.-wide climate-neutral target. The European Bank for Reconstruction and Development, the Inter-American Development Bank, and the United Nations Environment Programme have begun to address most of the climate evaluation criteria that the Office developed for this review. The banks have made more progress in addressing climate impacts of their internal operations than the other Agencies.

**Management Action Record**

All 41 verified Council decisions in the Management Action Record show a medium and higher level of adoption. Of older Council decisions, 14 of 27 show substantial progress in the level of adoption compared with last year. The Evaluation Office agreed with management on ratings for 21 (51 percent) of the 41 decisions, but gave lower ratings than management on 19 of them. This reflects the fact that some measures taken do not yet represent a high level of achievement and some proposals to the GEF Council are yet to be approved. Noticeable progress has been made on Council decisions requesting increased transparency in the GEF project approval process through an improved management information system. Eight of nine Council decisions showing no improvement from last year involved the Local Benefits Study and the Biosafety Evaluation.

**Performance Matrix**

Among the Implementing Agencies, 87 percent of World Bank projects have ratings of satisfactory for outcome achievement, significantly higher than the 75 percent target specified in GEF-4. The United Nations Environment Programme and the United Nations Development Programme demonstrated considerable improvement in the quality of terminal evaluations; those for the World Bank continue to be satisfactory.

**Recommendation**

The GEF Secretariat, in coordination with the GEF Agencies, should conduct a formal and in-depth survey to assess more accurately and thoroughly GEF Agency efforts to reduce greenhouse gas emissions.