

Climate Change Program Study 2004



Every four years, coinciding with the Global Environment Facility (GEF) replenishment cycle, the GEF Evaluation Office conducts

a round of evaluations and studies on all GEF programs. The most recent assessment of the climate change program was conducted in 2004 to provide an overall evaluation of the results and performance in this focal area since its inception in 1991.

As the financial mechanism of the United Nations Framework Convention on Climate Change, the GEF is tasked with providing catalytic support for measures in developing countries that minimize climate change damage. The GEF faces a tremendous challenge in meeting this mandate. There is a large gap between what is required to address the problem and the current commitments that have been negotiated in the international arena. Poorer countries and communities are particularly vulnerable to the impacts of climate change. While the more wealthy countries should take the lead in combating climate change, carbon dioxide emissions from fuel combustion in developing countries have increased considerably over the past decade.

Since October 1991, the GEF has allocated US\$1.63 billion to climate change projects and activities. This study evaluated project performance in terms of strategies that contribute to enabling policies, increased access to finance, adequate business/enterprise capability and infrastructure, increased awareness, and diffusion of technology and innovation. An important element of this study was identifying those strategies that are effective in achieving market transformation and greenhouse gas (GHG) reduction or avoidance.

Findings

Market transformation is a long-term challenge and a dynamic process—but evidence of such transformation is beginning to emerge from within the GEF climate change program. The greatest progress has been made within the

energy efficiency portfolio, where achievements can be observed in specific countries and sectors, such as financial markets in Hungary, energy-efficient appliances and products in Mexico and Poland, and industrial boiler conversion in China. For many evolving markets, the GEF has helped drive changes forward.

The experience of the GEF's **renewable energy** project cluster is more mixed, because the GEF is often trying to develop markets from a much lower baseline. Renewable energy remains, in general, more expensive and less accessible than traditional fossil fuel-based energy sources, despite sustained efforts at volume increases and market aggregation. Nevertheless, the GEF has contributed to emerging market changes in specific energy sectors in several countries, such as for mini-hydro energy in Sri Lanka and the wind market in India.

Effective strategies have played a key role in the climate change program. A combination of favorable external circumstances, appropriate choices of project strategies, good and flexible implementation, and adequate GEF resources have contributed to the removal of barriers and facilitated significant investments in sustainable energy technologies and programs. Projects are more successful when they have a clear concept of market development, know which markets they wish to transform and which markets barriers have to be overcome, have a well-defined target group, are based on a minimum level of existing market development, and receive sufficient and sustained support.

Overall, the GEF has performed a credible job in **responding to country needs** regarding climate change in the eligible countries through a complex array of approaches and strategies. It has been responsive to guidance from the convention. However, the current dispersion of the GEF portfolio does not favor extensive replication and market transformation and reflects cases of missed opportunities in terms of potential impact.

The performance of the GEF portfolio overall in avoiding **GHG emissions** is satisfactory. Through its projects, the GEF has brought about considerable GHG reductions, at relatively low total incremental costs. For 27 closed projects, estimated avoided direct and indirect emissions amount to 224 million metric tons of carbon dioxide at an incremental cost of US\$194 million.

The climate change program has benefited from some good **knowledge-sharing** initiatives, but could further improve with better communication on GEF priorities, especially at the project formulation stage; more exchange within clusters during implementation; and active work with projects to extract portfolio-wide experiences and lessons learned for groups of projects. Without such systematic learning, the GEF innovation and replication will be less effective.

Improvements are needed in systems to **monitor and evaluate** qualitative results. Guidance would be useful on the relative importance of immediate GHG impacts versus longer term sustainable market transformation. The current quality and availability of GHG targets, estimates, calculations, reporting, and monitoring and evaluation are still not satisfactory.

The GEF climate change program has been influenced by some **implementation issues**. In particular, the long and cumbersome project approval process seems to yield diminishing returns in terms of quality projects since projects are still likely to run into further delays and difficulties during implementation. A project-by-project approval system at the GEF Council level cannot be sustained efficiently with the current volume of projects. The study found that there are no effective mechanisms currently in place for managing and monitoring the progress of the climate change portfolio as a whole.

Recommendations

- The GEF Secretariat should clarify the overarching goal of market transformation outcomes that contribute to GHG emissions reduction or avoidance, and the manner in which existing operational programs and associated strategies contribute to this overall goal.

- The GEF should ensure that the bulk of the climate change portfolio is directed toward mitigation efforts in countries with relatively higher levels of GHG emissions and market transformation potential. For countries with significant GEF portfolios, integrated GEF country strategies need to be developed; smaller portfolios require—at least—explicit priorities.
- The GEF Secretariat should provide explicit guidance regarding the realistic calculation of GHG avoidance or reduction in project design and implementation and the manner in which impacts should be monitored and reported.
- The GEF Secretariat, together with the Implementing Agencies and assisted by the GEF Evaluation Office and the Scientific and Technical Advisory Panel, should develop a strategic and pragmatic approach to capturing and sharing information and knowledge within the climate change area, both among projects and between headquarters and the field and supported by electronic knowledge systems.
- The GEF Evaluation Office should help improve the strategic coherence of the climate change program by providing guidance, tools, and indicators for assessing GHG impacts, market transformation outcomes, and the effectiveness of associated strategies in specific operational programs and priority areas.
- The GEF should move toward a greater decentralization in project-by-project approvals, based on clear design principles for climate change project cluster types and a focus on results.

The GEF Evaluation Office is an independent entity reporting directly to the GEF Council, mandated to evaluate the focal area programs and priorities of the GEF.

The *Climate Change Program Study* (September 2004) is available on the GEF Evaluation Office website at thegef.org (in the Publications section under Program Evaluations and Thematic Studies). The GEF Management Response is presented in annex D. For more information, please contact the GEF Evaluation Office at gefevaluation@thegef.org.