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**SECOND OVERALL PERFORMANCE STUDY OF THE GLOBAL ENVIRONMENT
FACILITY**

Note by the Executive Secretary

1. At the request of the secretariat of the Global Environment Facility (GEF), the Executive Secretary is circulating herewith the Second Overall Performance Study of the GEF. The Study was received by the Secretariat under cover of a letter dated 6 March 2002 from the Chief Executive Officer and Chairman of the GEF addressed to the Executive Secretary of the Convention. That letter is being circulated as an addendum to the report of the GEF to the Conference of the Parties at its sixth meeting (UNEP/CBD/COP/6/9/Add.1).
2. The Study is being made available in the form and the language in which it was received by the Secretariat of the Convention on Biological Diversity.

* UNEP/CBD/COP/6/1 and Corr.1/Rev.1.

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Global Environment Facility

FOCUSING ON THE GLOBAL ENVIRONMENT

THE FIRST DECADE OF THE GEF

Second Overall Performance Study

(OPS2)

January 25, 2002

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The views expressed in this study are those of the core international team members and do not necessarily represent the views of the national consultants or the GEF

ACRONYMS

BCP	biodiversity conservation project
CBD	Convention on Biological Diversity
CBM	coal-bed methane
CEITs	countries with economies in transition
COPs	Conferences of the Parties
EA	executing agency
ESCOs	energy-service companies
ESD	economic and sustainable development
GAS	Goal Attainment Scaling
GEF	Global Environment Facility
GEFOPs	Global Environment Facility operational programs
GHG	greenhouse gas
IA	implementing agency
ICDP	Integrated Conservation and Development Planning
IFC	International Finance Corporation
MSP	medium-sized project
NAP	national action plans
NBSAP	national biodiversity strategies and action plans
NCS	national conservation strategies
NEAP	National Environmental Action Plan
NFP	national focal points
NRM	China Nature Reserves Management Project
ODA	official development assistance
ODS	ozone-depleting substance
OP	operational program
OPS1	First Overall Performance Study
OPS2	Second Overall Performance Study
PDF	Project Development and Preparation Facility
PIR	Project Implementation Review
POPs	persistent organic pollutants
SABONET	Southern Africa Botanical Network
SAP	strategic action plan
SGP	Small Grants Program
SME	small and medium-sized enterprises
STAP	Scientific and Technical Advisory Panel (of GEF)
TDA	Transboundary Diagnostic Analysis
TOR	terms of reference
UNCCD	United Nations Convention to Combat Desertification
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNOPS	United Nations Office for Project Services

FOREWORD

The first Study of GEF's Overall Performance was initiated in 1997. It was submitted to the GEF Assembly in New Delhi in 1998. The GEF Council, at its May 2000 meeting, requested another overall performance review of the GEF. The plan for the study was approved by the Council in September of 2000. The study was to be undertaken in time to provide inputs to the third replenishment and the Second Assembly of the GEF.

The Second Overall Performance Study (OPS2) is designed to assess the extent to which GEF has achieved, or is on its way to achieving, its main objectives as specified during the restructuring in 1994, and the policies adopted by the GEF Council in subsequent years. (See the Terms of Reference in Annex 1.)

In consultation with the GEF CEO and Chairman, I recruited the core team, composed of Leif Christoffersen (team leader), Ogunlade Davidson, Maria Concepcion Donoso, John Fargher, Allen Hammond, Emma Hooper, Thomas Mathew, and Jameson Seyani. The team is presented in Annex 2. The team members were selected on the basis of their general and specific competencies in global environmental issues, policy formulation, project management, and evaluation. They come from various regions of the world and have been found to be independent of the GEF; that is, they are not associated with any of the GEF entities and possess respected expertise enabling them to assess GEF based on their independent professional judgments.

The team presented its Inception Report on February 10, 2001. The report laid out the operational details of the study. The report was submitted to the GEF Council and posted on GEF's website. The study uses a variety of information sources. As inputs to OPS2, the GEF monitoring and evaluation team had prepared four broad program studies on results and impacts in GEF focal areas and a linkage study on land degradation. Another 10 program evaluations and project implementation reviews were also made available. The evaluation and GEF coordination departments of the implementing agencies have prepared 41 project evaluation and completion reports, which were also presented to the team.

In the initial phase of the work, the OPS2 team consulted with the GEF Secretariat, the implementing agencies, STAP, the executing agencies under the expanded opportunities policy, and the Secretariats of UNFCCC, CBD, and CCD. The OPS2 team selected 11 countries for specific visits, involving meetings with government officials, project stakeholders, and NGO representatives. The countries selected were Argentina, Brazil, China, Jamaica, Jordan, Nepal, Romania, Samoa, Senegal, South Africa, and Uganda. Jamaica, Romania, and Senegal also provided venues for regional consultations with GEF operational focal points and GEF-accredited NGOs, together with Kenya, Mexico, and Thailand. The team also visited individual projects in Bulgaria, Hungary, Kenya, Lebanon, and Tanzania. Fifteen national consultants/experts were recruited to assist the team during country visits.

Upon the consent of the GEF Council, the Team Leader of OPS2 and I appointed a High-Level Advisory Panel for the study. The panel consists of Jose Goldemberg (Brazil), Hisham Khatib (Jordan), Akiko Domoto (Japan), Corinne Lepage (France), and Zhang Kunmin (China) (see Annex 4). Panel members made individual advisory comments on the Inception Report in March 2001. Subsequently, the Panel met in June 2001 to give its advice on tentative OPS2 findings during the country visits. Thereafter, some panel members also commented upon early draft reports.

The First Draft of the report was sent to the GEF Secretariat, the implementing agencies, STAP, and the High-Level Advisory Panel on August 21, 2001. Extensive comments were received and were reviewed by the OPS2 team.

An Interim Report was prepared for discussion at the GEF Replenishment Meeting held in Edinburgh, Scotland, from October 11-12, 2001. The GEF Council members who were not participating in the Replenishment Meeting were notified that the Interim Report was accessible on the GEF website.

The Final Draft of the OPS2 report was submitted for discussion at the December 2001 GEF Replenishment and Council meetings. Comments were invited, by December 20, 2001, from these meetings' participants, but also from all other participants in GEF programs and projects.

The Final OPS2 report was completed on January 25, 2002, and will be made available to the February 2002 replenishment meeting and the May 2002 GEF Council meeting. The report is being translated into Arabic, Chinese, French, Russian, and Spanish and will be published well ahead of the Second GEF Assembly in Beijing in October 2002.

I want to express my full gratitude to all those who contributed to the study, especially the OPS2 team members, who have struggled continually against tough travel schedules, unusual external events that caused delays, and very tight deadlines. Special thanks are also due to the GEF Secretariat, the staff of the implementing agencies at headquarters and country offices, the convention secretariats, the High-Level Advisory Panel, the GEF focal points, the GEF-NGO network, and a large number of other people in the countries that were visited. Although staff members, government officials, other consultants, and informants provided the building blocks for the study, the views expressed in the report are entirely those of the OPS2 team. These views do not necessarily coincide with the those of the GEF, nor those of various other informants.

Jarle Harstad
Senior Monitoring and Evaluation Coordinator

PREFACE

This evaluation, over the course of 2001, was faced with a formidable challenge. It was charged with the task of assessing results and impacts of GEF-funded activities over the decade since the GEF was established and how GEF policies, strategies, and institutional arrangements have influenced project outcomes. The two earlier evaluations of GEF could not evaluate results, since too few GEF projects had then been completed. By 2001, however, a large enough number of completed projects had produced evaluation reports that set out to document, among other things, the extent to which completed and advanced ongoing projects are achieving their objectives.

The GEF represents a unique partnership among some key agencies in the United Nations and Bretton Woods system—UNDP, UNEP, and the World Bank Group. Together with two other entities, the GEF Secretariat and the GEF Scientific and Technical Advisory Panel, this interagency partnership was created to provide support to developing countries participating in the global environmental conventions for undertaking activities that would provide global environmental benefits.

Our evaluation task, therefore, involved obtaining a comprehensive understanding of how the operational relationships function within this rather unusual and complex interagency organizational arrangement.

Equally important was the task of verifying results on the ground. The effectiveness of the GEF must ultimately be demonstrated in results that convince governments and the people in countries eligible for GEF funding that it is worthwhile to participate in international environmental agreements.

Many positive factors helped to make this challenging evaluation task a positive experience. First and foremost, I was fortunate to be associated with seven other team members of high professional competence and wide international experience. While coming from very different professional backgrounds, the team was still able to work well together and ultimately arrived at unanimous agreement on each of our key findings, conclusions, and recommendations.

Our visits to countries made clear the wide support and appreciation that exists for GEF-supported projects. Government officials were very open and helpful. Our country work was ably supported by local consultants in each country that we visited. Discussions with a variety of NGOs in countries and during regional consultations revealed the openness and transparency with which the GEF operates—a unique characteristic among multilateral institutions.

We were impressed by the high level of motivation, professionalism, and candor that we encountered and by the support that we received from the Scientific and Technical Advisory Panel and from staff at the GEF Secretariat at Washington and staff at the headquarters and country/regional offices of the UNEP, UNDP, and the World Bank. In particular, Jarle Harstad, Ramesh Ramankutty, Elizabeth George, and other members of

the GEF monitoring and evaluation unit deserve to be highly commended for their effective professional and administrative support. Elizabeth Mook's editing skills enhanced the clarity of the report. The results of this external and independent evaluation were significantly influenced and made possible through the positive spirit, remarkable openness, and wide range of helpful responses from which the team benefited.

Leif E. Christoffersen

Team Leader

Second Study of GEF's Overall Performance

and

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TABLE OF CONTENTS

Foreword	iv
Preface	vi
Table of Contents	viii
Executive Summary	x
I. Introduction	1
A. Methodology	1
B. Conventions and the GEF Mandate	2
C. The Development Context	6
D. Overview Comments	7
II. The Global Context	8
A. Environmental Trends	8
B. Economic and Social Trends	11
III. Program Impacts, Results, and Policy Issues	13
A. Ozone: Impacts and Results	14
B. Ozone: Program and Policy Issues	15
C. Climate Change: Impacts and Results	16
D. Climate Change: Program and Policy Issues	23
E. Biodiversity: Impacts and Results	26
F. Biodiversity: Policy and Program Issues	35
G. International Waters: Impacts and Results	38
H. International Waters: Policy and Program Issues	42
I. Land Degradation: Impacts and Results	43
J. Land Degradation: Policy and Program Issues	46
K. New Focal Areas	48
L. Overall Results	50
IV. GEF Relations with the Conventions	52
V. The GEF at Country Level	57
VI. Program and Policy Issues and Findings	66
A. Global Benefits and Incremental Costs	66
B. Mainstreaming, Co-financing and Replication of Project Results	68
C. Engaging the Private Sector	79
D. Public Involvement and Participation	81
E. Role of NGOs and Local Communities	91
F. Project Modalities	93
G. Generation and Use of Scientific Knowledge	96

H. Information and Communication.....	97
I. Sharing Lessons Learned	98
J. Long-Term Programmatic Approach.....	99
VII. Institutional and Management Issues	101
VIII. Main Conclusions and Key Recommendations	120

ANNEXES

Annex 1 Terms of Reference for OPS2	135
Annex 2 Study Team Resumés	143
Annex 3 OPS2 Methodology	147
Annex 4 High Level Advisory Panel.....	159
Annex 5 Ten Operational Principles for Development and Implementation of GEF's Work Program.....	160
Annex 6 OPS1 Recommendations	162
Annex 7 Mainstreaming in the Implementing Agencies	175

EXECUTIVE SUMMARY

The Second Study of GEF's Overall Performance (OPS2) focused on answering four questions:

1. What impacts or results related to the global environment have been achieved through activities supported by the GEF?
2. What bearing do GEF relations with conventions and countries have on these results?
3. How have GEF policies or programs influenced these results?
4. How have GEF institutional arrangements and relationships reflected on its performance?

Given the unique organizational arrangements that constitute the GEF, the last question generated a more directed query: "As a partnership, has the GEF produced results which each partner agency could not have produced on its own?"

GEF RESULTS AND IMPACTS

The evaluation's starting point was an assessment of whether the projects supported by the GEF have produced significant results. With a still-young portfolio, only 95 GEF projects had completed implementation as of June 30, 2000. Of these, only 41 had finalized evaluations or project completion reports available for use by the OPS2 team. These 41 projects represent about 12 percent of the full-sized projects approved by GEF since its inception. Further, the completed projects were largely approved during GEF's Pilot Phase, when the emphasis was on experimentation and testing new ideas. These projects did not benefit from the guidance of the Operational Strategy and Operational Programs, both of which were developed and approved by the GEF Council in 1996.

Despite the above qualifications, **this evaluation concludes that GEF-supported projects have been able to produce significant results that address important global environmental problems**. Under the GEF ozone program, which supported implementation of the Montreal Protocol in economies under transition in Eastern Europe and Central Asia, significant reductions of ozone depleting substances (ODS) have been achieved. Under its climate change programs, GEF has been very effective in promoting energy efficiency and has achieved some success in promoting

Recommendation

The GEF should review and rationalize the number and objectives of operational programs in light of the lessons learned to ensure consistency and a unified focus on delivering global environmental benefits. Furthermore, to ensure quality outcomes that focus on global environmental benefits, OPS2 recommends that GEF make a special effort to use scientific analysis as a constant foundation for the planning and implementation of new projects in all focal areas. The science-based Transboundary Diagnostic Analysis (TDA) should continue to be the basis for facilitating regional agreements on actions to address threats to international waters and for developing strategic action programs (SAPs). OPS2 further recommends the extension of a similar approach to land degradation, as it is now becoming a new focal area.

grid-connected renewable energy. In the biodiversity focal area, GEF support has steadily improved the management standards for protected areas through participatory approaches. GEF-supported activities in the international waters focal area have contributed significantly to the implementation of existing global and regional agreements that address protection and restoration of freshwater and marine ecosystems. Results achieved in the area of land degradation have been more modest because related activities are undertaken primarily to achieve objectives in the areas of climate change, biodiversity conservation, and international waters. Nevertheless, the evaluation found that many projects did in fact address the causes of land degradation and built community capacity for sustainable management of land resources.

Whether the above results have had an impact on the global environment is difficult to determine. Given GEF's relatively short existence and the limited amount of funds made available, it is unrealistic to expect its results to be able to halt or reverse the current deteriorating global environmental trends. What is clear is that the GEF has produced a wide array of important project results—results that can be considered important process indicators towards achieving future positive environmental impacts.

GEF RELATIONS WITH CONVENTIONS AND COUNTRIES

The GEF has been responsive to the global environmental conventions, particularly those for which it has been nominated as the financial mechanism—the United Nations Framework Convention on Climate Change (UNFCCC) and the Convention on Biological Diversity (CBD). The Operational Strategy and operational programs reflect these conventions' objectives and priorities. The GEF has also been responsive to requests from the conventions to support countries in meeting their reporting requirements. There have been problems determining and spelling out how GEF should respond to the conventions' rather broad guidance and, similarly, the conventions have been challenged to determine how responses best fit into the larger sustainable development context. However, considerable encouraging progress has been made in this regard in recent years. Close consultations with the conventions are needed to ensure that current priorities are clearly understood and to clarify the extent to which convention guidance received in previous years is reflected in the current set of priorities. Some caution also is advised in taking on any new rounds of enabling activities from the same

Recommendations

The GEF should adopt a cautious approach to funding any new rounds of enabling activities to the same convention. All such activities must be assessed for their effectiveness in responding to the convention guidance and to country needs. It is important to assess the use of national reports, national communications, and national action programs within the strategic frameworks for a country's national sustainable development program and GEF's programming and project preparation activities. In this context, OPS2 also recommends that the GEF Council explore the feasibility of each country reporting directly to the appropriate convention on the effectiveness and results of GEF's country-relevant support for both enabling activities and projects.

In its dialogue with each convention that it supports, the GEF should regularly seek to update and clarify existing priorities and commitments in light of each new round of guidance it receives.

convention before the current enabling activities' potential effectiveness has been assessed.

At the country level, closer coordination between GEF focal points and those of the conventions is needed. Also, countries need to report on GEF-funded activities, beyond enabling activities, to the appropriate conventions. There should be support for countries to mainstream the national reports/action plans to the conventions.

The evaluation found that in-country understanding of the GEF is very weak; there is poor visibility of the GEF, even on projects fully funded by it. **It is essential that GEF improve its operations at the country level and enhance its visibility through better information products and communication.** While the country dialogue workshops have improved understanding of the GEF, there is still a broad, unmet information gap regarding the GEF at the country level. While a good deal of country ownership of GEF projects seemed apparent, many GEF projects did not seem country-driven in terms of involvement of the designated GEF operational focal point. The implementing agencies and their main contact points in the country often took the initiative for project development. A better in-country mechanism, centered on the operational focal points, is needed for coordinating GEF activities. It is also important for the GEF to take steps to increase the capacity of national operational focal points, particularly in small and medium-sized countries. On the information front, while the GEF website is valuable, the GEF cannot rely on member countries satisfying their main information needs from this one source. Print, CD-ROM, and visual media products are also essential.

Recommendation

The GEF should continue ongoing efforts to support capacity development of operational focal points, the national GEF coordinating structures, and the country dialogue workshops. Furthermore, OPS2 recommends that the GEF Secretariat help empower operational focal points by providing better information services on the status of projects in the pipeline and under implementation. To that end, the GEF Council should allocate special funding, administered by the GEF Secretariat, to support the organization of regular in-country GEF portfolio review workshops, carried out by the national operational focal points with participation by the related convention focal points, implementing agencies, and executing agencies.

GEF POLICIES AND PROGRAMS

GEF projects are, by and large, prepared in a participatory manner. The OPS2 team found evidence of good participatory processes, benefit sharing, and positive socioeconomic impacts from a number of GEF activities in all the focal areas. However, the evaluation finds that **stakeholder participation should be addressed more systematically.** GEF projects would benefit from addressing socioeconomic and livelihood issues more thoroughly. The application of participatory processes needs to be accompanied by the development of appropriate monitoring indicators so that both participation and sustainability issues can be addressed more effectively.

Recommendation

An interagency task force should be organized by the GEF Secretariat for the purpose of developing an effective and systematic way to document information on stakeholder consultations and participation, including the involvement of indigenous communities, in GEF-funded projects.

Both the GEF Pilot Phase Review and the First Overall Performance Study (OPS1) emphasized the importance of greater clarity and improved operational guidance on how to determine “global environmental benefits” and “incremental costs,” specifically for the biodiversity and international waters focal areas. The evaluation finds that, while the GEF Secretariat and implementing agencies have made progress in deriving a practical approach to determine global benefits and

incremental costs at the technical level, there is confusion at the country level and among other stakeholders over these definitions. **High priority should be given to providing greater clarity to country and project stakeholders on global benefits and incremental costs.** Operational guidance materials need to be prepared that clearly communicate how global benefits should be defined at project design and how they are to be measured at completion; with regard to incremental costs, it is imperative that similar guidance provide consistent application of the concept by country officials and other project stakeholders.

The evaluation finds that despite several steps taken to streamline the GEF project cycle, there is **still room for improvement in the GEF’s review and processing procedures and management of the project review process.** There seems to be scope for reductions in the time required for processing GEF projects, particularly medium-sized projects.

The GEF’s operational strategy includes the principle: “Seeking to maximize global environmental benefits, the GEF will emphasize its catalytic role and leverage additional financing from other sources.” **This catalytic role, to be achieved through mainstreaming, co-financing, and replication of GEF activities, needs more focus.** The evaluation finds that the three implementing agencies have made reasonable attempts to mainstream global environmental issues in their operational programs. The performance on co-financing has been quite modest. Among the completed projects reviewed during the evaluation, a few projects account for the major share of co-financing generated. Co-financing commitments and efforts need to be systematically assessed and monitored at all stages of the project cycle. Even if mainstreaming and co-financing should make only modest progress, there is still a potential for results to be replicated. Since completed projects are few, it is difficult to assess replication effects.

Recommendation

To improve the understanding of agreed incremental costs and global benefits by countries, IA staff, and new EAs, OPS2 recommends that the 1996 Council paper on incremental costs (GEFF/C.7/Inf.5) be used as a starting point for an interagency task force. This group would seek to link global environmental benefits and incremental costs in a negotiating framework that partner countries and the GEF would use to reach agreement on incremental costs. This should be tested in a few countries, and revised based on the experience gained, before it is widely communicated as a practical guideline for operational focal points, IAs, and GEF Secretariat staff.

Recommendation

In response to the concerns raised when the GEF was established regarding cost efficiency, accountability for services provided, and monitoring of overhead costs, OPS2 recommends two measures: (i) establishing a standard set of tasks to be performed by the IAs with fee resources and (ii) adopting a simple output-based fee payment system for IAs using two or three payments that are phased through the life of a project and linked to specific project milestones.

Recommendation

Each IA and new executing agency should be held responsible for generating significant additional resources to leverage GEF resources. A clear definition of co-financing and a set of strict co-financing criteria should be developed for different GEF project categories and country circumstances. The emphasis should be on the *total* amount of additional co-financing considered to constitute a significant and effective cost-sharing arrangement for each project, rather than on the quantity of co-financing forthcoming from an agency's operating programs and government contributions. Co-financing levels should be monitored and assessed annually through the interagency PIR process, as well as evaluated in the final project reports. The monitoring of replication of successful project activities should be established as a separate exercise in GEF.

Within the GEF portfolio, small and medium-sized projects seem to have a good success rate and under many circumstances may be the best way to start new and innovative activities. These funding options are not only suited to NGO activities, but also to smaller countries, including small island states. With growing demand for GEF funding, it may **be important to allocate funding to small and medium-sized projects as first steps in GEF programming towards subsequent larger projects.**

The evaluation finds that despite encouraging evidence of GEF efforts to engage the private sector, many opportunities remain unexploited and many barriers to a wider engagement of the private sector in GEF projects still remain. This evaluation **concludes that there are strong rationales for engaging the private sector on a substantially increased scale.** Council endorsement of expanded engagement of the private sector and explicit acceptance of risks would help to remove uncertainties within the GEF.

Recommendation

The GEF must place greater emphasis on sustainability and the potential for replication in project design and implementation. In particular, OPS2 recommends that the GEF should engage the private sector more effectively in all phases of the project cycle, including securing adequate GEF Secretariat expertise in this field. It should seek to create an enabling environment in which more specific, market-oriented strategies and expanded GEF operational modalities enable timely interaction with the private sector, thereby forming the basis for long-term sustainability of GEF activities.

GEF INSTITUTIONAL ARRANGEMENT AND RELATIONSHIPS

The overall results achieved by the GEF show the influence of a broader collaborative effort by several partners. The operational experiences and technical competence of the three implementing agencies and substantial government commitments have contributed significantly to the achievement of these results. The active presence of the GEF Secretariat within

Recommendation

The GEF should manage delivery of global environmental benefits by initiating a institution-wide shift from an approval culture to one that emphasizes quality and results. This should be achieved through a partnership approach that expands the use of interagency task forces to address program and policy issues and adopts broader teamwork practices to support project implementation and evaluation.

GEF has greatly supported the maintenance of a firm and disciplined focus on GEF's global goals by emphasizing the application of its operational strategy and policies. Furthermore, while each of the three implementing agencies has made different kinds of strategically important contributions to GEF, none of the IAs seem to have the full environmental capacity, broad international credibility and acceptance, and operational capacity necessary to carry out GEF functions entirely on its own. The OPS2 team considers the GEF to be a particularly encouraging example of constructive interagency cooperation. However, while the GEF system has performed well overall, **there is room for some further clarification of the institutional roles and responsibilities of GEF's partners**, while continuing to enhance the active partnership approach in all phases of GEF's operational activities.

First, there is a clear need to strengthen the role and staffing capacity of the Secretariat. A Country Support Team needs to be established, followed by a careful assessment of the work programming and budgetary implications for the Secretariat of the findings and recommendations in this evaluation. Second, the three implementing agencies will need medium-term assurance of funding levels in order to maintain institutional commitments and staff capacity. Third, the new GEF executing agencies under the policy of expanded opportunities will need to be carefully brought into the GEF for roles in specific focal areas where they have established credible technical and operational expertise. Fourth, the role of STAP in the project cycle needs to be improved. Careful scrutiny of how STAP's roster of experts is being used and managed is recommended. Fifth, the GEF monitoring and evaluation team needs to strengthen its information dissemination and institution linkages with implementing agencies and operational focal points to support adaptive management at a project level, portfolio management at the program level, and a process of continuous improvement at the institutional level.

Finally, it is appropriate and timely to consider strengthening the institutional character of the GEF substantially. There are many factors driving this recommendation—the new focal areas and operational programs, the expanding relations with new conventions and protocols, the inclusion of new institutional partners, the need to strengthen country-level coordination and partnerships with the GEF, and the increasing demand for GEF funds.

The GEF Council should take immediate steps to explore how the institutional character of the GEF can be best strengthened.

Recommendations

The GEF Council should commit to strengthening the professional resources and management capacities of the GEF Secretariat in the following key areas:

- Establishing a separate unit (Country Support Team) that possesses adequate regional knowledge, language capacity, and the competence to provide the national operational focal points, in close collaboration with the IAs and the EAs, with effective, prompt policy and procedural guidance
- Strengthening its capacity to develop and communicate operational modalities that can effectively engage the private sector, including the recruitment of relevant private sector expertise and arrangement of secondments from the IAs/IFC or the external private sector
- Requesting a special human resources planning exercise, including work programming and budget implications, of the proposed and expanding functions of the GEF Secretariat to give the GEF Council more precise recommendations regarding staffing needs
- Contracting an external management review of current management systems and future management needs in the GEF Secretariat.

With due respect for the IAs' overall responsibility for project implementation and evaluation, the GEF Council should strengthen and expand the monitoring and evaluation functions of the GEF monitoring and evaluation unit so that it can play a supporting partnership role in mid-term reviews and project evaluations, particularly by providing advice on TORs for mid-term reviews and final project evaluations, contributing to the review of each of these reports, reviewing and compiling the results reported from project evaluations, and arranging adequate feedback to all GEF partners.

To strengthen the GEF system for providing science and technology inputs, OPS2 recommends appointing STAP members for staggered terms, exploring with STAP members mechanisms for improving the use of in-country scientific and technical expertise within the GEF, and seeking STAP recommendations for appropriate changes to improve the project review system and enhance the utility of the roster of experts.

To support GEF's evolution to a quality- and results-oriented institutional culture and to ensure that new demands on the GEF are effectively addressed, OPS2 recommends that the institutional structure of the GEF be strengthened and that, towards this end, the GEF Council consider a review of options to strengthen GEF's institutional structure, including providing it with a separate legal status.

I. INTRODUCTION

1. The central theme of the Second Overall Performance Study of the GEF (OPS2) is the assessment of impacts and results seen in the context of the four GEF focal areas of ozone, climate change, biodiversity, and international waters, as well as in land degradation as it relates to these areas. Other cross-cutting areas included in the assessment relate to stakeholder involvement and social issues.
2. The OPS2 analyzes how GEF policies, institutional structures, and cooperative arrangements have facilitated or impeded results achieved so far. Three main topics guided the analysis: Effects of GEF Policies and Programs on Results; Strengthening Country Capacity to Deliver Global Environmental Benefits; and Strengthening the GEF to Support Global Environmental Benefits.
3. Recent Project Performance Reports (PPRs) have emphasized the importance of moving the GEF system from an “approvals culture” to a “results-oriented implementation culture.” In the OPS2 terms of reference (TOR), “results” are defined as project/program impacts, outcomes, or outputs. Impacts are defined as the (positive or negative) changes that the project/program has brought about. Outcomes are the longer term changes resulting from an intervention, and outputs are the immediate results achieved at project completion. Operational and program results are defined in the context of the GEF’s Operational Strategy and operational programs (OPs).

A. METHODOLOGY

4. The evaluation methodology adopted by the OPS2 team was based on reviews of existing documentation of program and project results, consultations with implementing agency (IA) managers and staff, and country visits, including visits to field project sites and meetings with government officials, project stakeholders, and NGO representatives. Among the main sources of information for OPS2 assessments were four comprehensive program studies prepared by the GEF’s monitoring and evaluation team, in cooperation with the IAs, on biodiversity, climate change, international waters, and land degradation. An external evaluation of the ozone program was another key source.
5. Other sources of information included the findings and conclusions of the First Overall Performance Study of the GEF (OPS1), evaluation reports of 41 completed projects, implementation reports from ongoing projects, and annual Project Implementation Reviews produced by the three IAs and the GEF Secretariat. The OPS2 team was provided with a list of 95 completed full-size projects as of June 30, 2000. This group of regular projects represents about 28 percent (of a total of 341) full-size project approvals during the period from 1991–2000. Among these completed projects, there were 61 projects that had finalized project evaluations; 41 of these reports were made available to the OPS2 team when it began its work. Hence the OPS2 project cohort

consisting of completed projects with project evaluations constituted about 12 percent of total project approvals by the GEF as of June 30, 2000.

6. The OPS2 team also used the Goal Attainment Scaling (GAS) method to determine stakeholder perceptions of participation, project ownership, and GEF processes (Annex 3 describes the methodology in more detail.)

7. An important starting point was to attempt verification of reported operational results. Consultations were held with management and staff at the headquarters and in several field offices of the IAs, with STAP, with the convention secretariats and some of the international executing agencies (EAs), and with NGOs and national operational focal points for the GEF at six subregional meetings.

8. The OPS2 team conducted country visits to 11 countries, which involved interviews and meetings with key stakeholders and field visits to some 23 GEF projects. The Team alone made the final selection of the 11 countries to be visited: Argentina, Brazil, China, Jamaica, Jordan, Nepal, Romania, Samoa, Senegal, South Africa, and Uganda. Additional field visits were made to GEF projects in Bulgaria, Hungary, Kenya, Lebanon, and Tanzania. Regional consultations with national GEF operational focal points and GEF-accredited NGOs were conducted in conjunction with the visits to Jamaica, Kenya, Mexico, Romania, Senegal, and Thailand. Several additional countries were covered as part of evaluations conducted by the GEF monitoring and evaluation team over the last few years to provide preparatory materials for OPS2 (see Annex 3, Table 1). The OPS2 team was represented at the May 2001 meeting of the GEF Council and its associated NGO consultation, at the October GEF Replenishment meeting in Edinburgh, and at the GEF Council meeting in December 2001.

9. The findings and conclusions presented in this report constitute the independent view of the OPS2 team.

B. CONVENTIONS AND THE GEF MANDATE

10. The 1985 Vienna Convention for the Protection of the Ozone Layer, including the 1997 Montreal Protocol on Substances That Deplete the Ozone Layer, was not initially supported by donor funding. Therefore, its London amendments of 1990, which created a specific financial mechanism, were considered a major breakthrough in global environmental governance. This financial mechanism, the Multilateral Fund, received substantial financial support from governments in developed countries.

11. The United Nations Framework Convention on Climate Change (UNFCCC) and the Convention on Biological Diversity (CBD), both of which were negotiated in parallel with preparations for the United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro in 1992, acknowledged the need for international financial mechanisms to deal with global environmental issues.

12. During negotiations for the Earth Summit (UNCED) and the climate change and biodiversity conventions, various arguments were made in support of dedicated financial

mechanisms for each new agreement. Through these mechanisms, countries in the North would contribute to help countries in the South implement the intent of each convention. The novelty of a financial mechanism for the Montreal Protocol became an appealing concept to replicate in new conventions.

13. The idea of establishing many different financial mechanisms under different conventions drew considerable skepticism and even opposition from donor countries, partly because of the concern that too much institutional fragmentation would result.

14. Instead another proposal emerged—for a possible joint funding mechanism for many conventions.

15. The GEF, created in 1991, provided a potential means to support the CBD and the UNFCCC and to assist in financing efforts to address the underlying causes of global environmental degradation. In fact, the GEF was the only new source of international financing that emerged from all the parallel negotiations during the late 1980s and early 1990s. The GEF was established, after prolonged negotiations, as an interim instrument for this purpose.

16. When the two conventions were finalized in 1992, the GEF was accepted by both as a financial mechanism, initially on an interim basis. The GEF was established in the World Bank as a pilot program, by resolution of the Executive Directors of the World Bank and by related interagency arrangements between the UNDP, the UNEP, and the World Bank. A central premise in the international agreement to establish the GEF was that it would not become a new international institution, but rather would rely on the capacities of existing international organizations. The GEF would largely rely for project development and implementation on three IAs of proven technical competence in the multilateral system—the UNDP, UNEP and the World Bank.

17. In 1994, the GEF was restructured under the aegis of the *Instrument for Establishment of the Restructured Global Environment Facility*. GEF became a mechanism to forge international cooperation and to fund projects addressing global environmental issues, with the following entities:

- Assembly, consisting of representatives of all Participants, (i) reviews the general policies and evaluates the operation of the GEF on the basis of reports submitted by the Council, (ii) considers the membership of the GEF, and (iii) considers, for approval by consensus, amendments to the Instrument on the basis of recommendations by the Council. The first Assembly of the GEF was held in New Delhi, India, in April 1998. The second Assembly will be held in Beijing, China, in October 2002.
- Council, consisting of 32 Members,¹ meets twice annually with the overall objective of developing, adopting, and evaluating the operational policies and programs for GEF finance activities, in conformity with the Instrument and fully

¹ Sixteen members from developing countries, 14 members from developed countries, and two members from countries of central and eastern Europe and the former Soviet Union.

taking into account reviews carried out by the Assembly. The Council has the main responsibility for reviewing and approving the work program.

- GEF Secretariat, headed by the CEO/Chairperson of the Facility, (i) implements the decisions of the Assembly and the Council in coordination with the implementing agencies, (ii) coordinates the formulation and oversees the implementation of the work program, and (iii) coordinates program activities with the Secretariats of other relevant international bodies, particularly those of the GEF-relevant Conventions.
- Implementing Agencies, the UNDP, UNEP, and World Bank, prepare and implement GEF-financed activities within their respective areas of competence.
- Scientific and Technical Advisory Panel (STAP) acts as an advisory body to the GEF.

18. In May 1999, the GEF Council expanded the number of international agencies that can directly prepare and implement GEF-financed activities under the policy of expanded opportunities for executing agencies. These agencies are the Asian Development Bank (ADB), the African Development Bank (AfDB), the European Bank for Reconstruction and Development (EBRD), and the Inter-American Development Bank (IADB). Following subsequent Council decisions, the United Nations Food and Agricultural Organization (FAO), the United Nations Industrial Development Organization (UNIDO), and International Fund for Agricultural Development (IFAD) have joined the GEF group of executing agencies eligible for expanded opportunities.

19. The GEF has become a novel multilateral creation that embodies partnerships at different levels and dimensions, facilitated by the GEF Council and Secretariat, and builds on the comparative strengths of different entities. The most significant level of partnerships is among the GEF Secretariat, STAP, and the three implementing agencies—UNDP, UNEP, and the World Bank—given their significant roles in the evolution of the GEF and in preparing and implementing GEF-financed activities. In addition, the World Bank acts as the Trustee to the GEF Trust Fund and provides administrative support to the GEF Secretariat.

20. The mission of the GEF sets forth that:

“The GEF is a mechanism for international cooperation for the purpose of providing new, and additional, grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits in the area of biological diversity, climate change, international waters and ozone depletion. Land degradation issues, primarily desertification and deforestation, as they relate to the four focal areas will also be addressed. In carrying out its mission, the GEF will adhere to key operational principles based on the two conventions, the GEF Instrument, and Council decisions.”

21. The main rationale of the GEF is therefore to fund the incremental costs of achieving global environmental benefits. This principle was intended to be applied in a

context that supports sustainable development goals. The IAs were expected to address these larger sustainable development dimensions by relating GEF-funded activities, through national-level strategies and programs, to a development and environment policy framework.

22. The GEF has designated a specific “focal area” program which links up with objectives of a convention. Initially, climate change and biodiversity were designated as focal areas. A third focal area on ozone depletion involved support to the economies in transition in Eastern Europe and Central Asia for mitigating ozone layer depletion (for countries not covered under the Montreal Protocol’s financial mechanism). A fourth focal area covered international waters, which has no global convention, but relates to a number of international, regional, and subregional conventions and agreements. Alleviating land degradation was approved as a cross-cutting issue. The GEF Council agreed in 2001 to set up new focal areas for land degradation and for the new persistent organic pollutants (POPs) convention.

23. The GEF was established with funding largely from the Organization for Economic Cooperation and Development (OECD) countries to serve as a common facility for various convention-related financial mechanisms, both present and future. Its operational principles explain that, in its role as financial mechanism for the implementation of the UNFCCC and CBD, the GEF will function under the guidance of, and be accountable to, those conventions’ Conferences of Parties (COPs).

24. Thus the GEF, the only multiconvention financing facility in existence, is now the major source of funding specifically supporting international environmental agreements.

25. Acting as a catalyst to mobilize resources from other sources has been a key GEF objective since it was founded. Co-financing arrangements with other donors were sought as a way to supplement GEF funding for activities focusing on global environmental benefits. It was understood that GEF would not have the means itself to fund all objectives sought under the conventions. Furthermore, co-financing would also be needed for associated development activities linked to GEF projects.

26. The GEF Secretariat was given the responsibility for monitoring progress and outcomes from GEF-funded projects. The results would be reported to the GEF Council and, through it, to all GEF member countries.

27. Results would also be brought to the attention of the conventions through GEF CEO’s regular reporting to the COPs of each of the conventions. In addition, the IAs often present general reports on their institutional programs separately to the COPs. Such reports usually include information about their GEF-executed activities. Countries were not required to report directly to the conventions about GEF activities and their results. Further discussion on this point is included in Chapter 4.

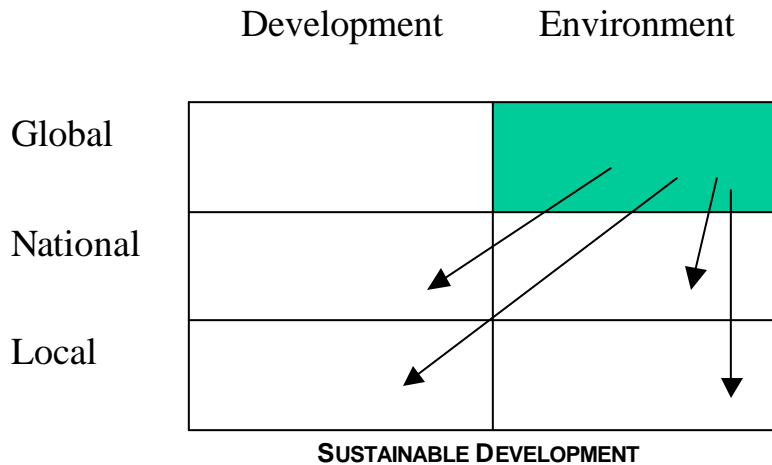
C. THE DEVELOPMENT CONTEXT

28. The 13 operational programs of GEF are guided by its Operational Strategy of 1996, with its 10 operational principles (Annex 5). One of the operational principles states that the GEF “will fund projects that are country-driven and based on national priorities designed to support sustainable development, as identified within the context of national programs.”

29. GEF focuses on achieving global environmental benefits. Since the main focus of the conventions served by the GEF is the global environment, the GEF operational programs need to relate to the economic and social development aspirations of developing countries, and particularly, their national and local environmental priorities.

30. The conventions that GEF serves state that GEF funding for the global environment must be associated with national sustainable development priorities. This can be illustrated by the following diagram:

MATRIX FOR GLOBAL BENEFITS AND SUSTAINABLE DEVELOPMENT



31. As articulated by the conventions, there are considerable opportunities for GEF activities focusing mainly on global issues to have significant national and local impacts. Furthermore, GEF activities can also serve to mobilize co-financing for the purpose of broadening impact.

32. Each of the focal areas provides scope for exploring objectives related to sustainable development benefits at both national and local levels. For instance, reducing greenhouse gas emissions also yields significant energy savings and cleaner air, which benefits public health. Protecting biodiversity of global importance may also benefit a

country's tourism industry and generate employment and other income-sharing benefits to local communities. Safeguarding the health of international waters can also increase yields from fisheries and improve local health.

33. Sustainable development objectives are pursued through the regular programs of international development agencies, such as the UNDP and the World Bank, and hence provide opportunities for global environment issues to be included in country and sector programming frameworks. This opens up two distinct opportunities: for GEF objectives to be funded under the regular programs of each agency, and for each IA to seek co-financing for activities associated with GEF-funded projects.

D. OVERVIEW COMMENTS

34. An important reference point for the OPS2, as emphasized in its TOR, is whether GEF-funded projects have been able to produce significant results. Even though the GEF portfolio is still young, both the growing number of completed projects and many ongoing projects report measurable achievements. The OPS2 team started its work with some critical questions in this regard, including whether results so far achieved would be significant enough to enable OPS2 to recommend the continuation of the GEF. A substantial part of the OPS2 team's initial work with the various GEF entities as well as its country and project visits were focused on results and impacts of GEF-funded activities. This is discussed in Chapter 3. GEF relations with the conventions and with member countries are reviewed in Chapters 4 and 5, respectively.

35. The GEF has pursued two parallel goals—to mainstream global environmental objectives in the regular programs of each IA and to generate co-financing from the IAs and others sources for funding GEF activities. These issues are analyzed in Chapter 6. The broader program and policy issues and findings discussed in Chapter 6 also include a review of public involvement and stakeholder participation in GEF activities and other cross-cutting issues. The final two chapters deal with institutional and management issues and present the overall conclusions and recommendations.

36. During its work, the OPS2 team continually reviewed the set of recommendations presented 4 years ago by OPS1, as well as GEF's ongoing response to the recommendations and its reports to Council on progress. The complete list of OPS1 recommendations, with a brief summary prepared by the GEF monitoring and evaluation team for OPS2 based on various reports on the topic to the GEF Council, is presented in Annex 6. The OPS2 has considered most of the issues raised by OPS1. In several areas, considerable efforts have been made to implement that first set of recommendations, and there has been some encouraging progress. Yet, as subsequent chapters of this report demonstrate, some of the key findings and recommendations of OPS1 concern issues that OPS2 found to be continuing weaknesses in the GEF.

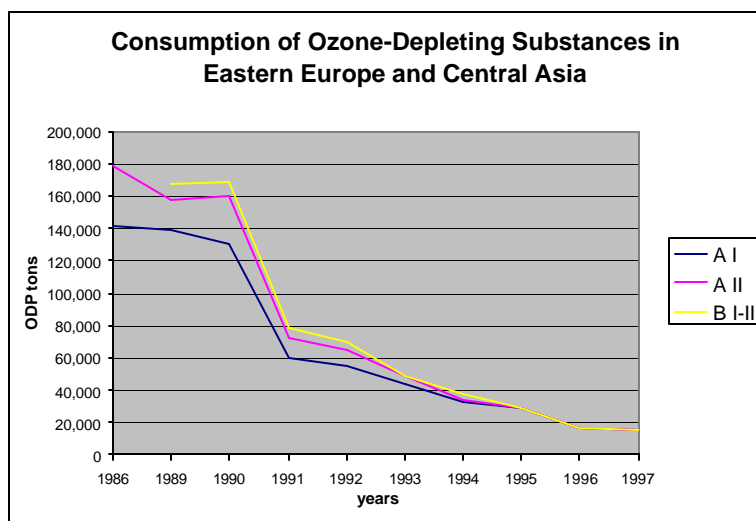
II. THE GLOBAL CONTEXT

37. The 1990s have been a period of significant global change. Environmentally, the decade has been characterized by increasingly unambiguous signals of global environmental degradation. High population growth and accelerating urbanization, along with increasingly unsustainable levels of consumption of natural resources, have led to severe pollution of air and water supplies. Economically, it has been a period of global integration and new income opportunities, but also persistent poverty and growing economic disparity. The rapid rise of the Internet opened new modes of communication and widened access to information, but also drew attention to the “digital divide” between information haves and have-nots.

38. Institutionally, the decade witnessed the end of the Cold War and the emergence of a number of new international institutions and agreements, including Agenda 21, the global environmental conventions, and the GEF, the facility designed to support those conventions. An assessment of the GEF and its impact must therefore take into account the rapidly changing context in which it has operated during this decade.

A. ENVIRONMENTAL TRENDS²

39. At the beginning of the decade, there was growing concern that rapid changes in the composition of the atmosphere could lead to changes in the Earth’s protective ozone layer and the Earth’s climate. By the end of the decade, the first concern was allayed



when dramatic progress was achieved in phasing out emissions of ozone depleting substances.³

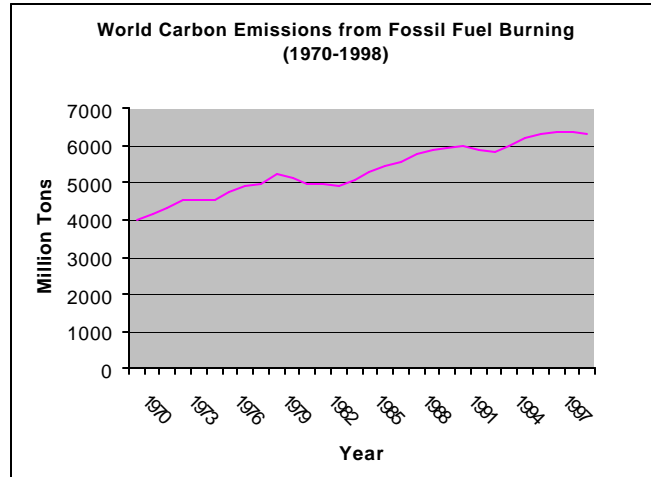
40. Concern about the health of the climate, however, had given way to growing certainty, supported by a broad-based, international, scientific consensus: The warming climate, shifting precipitation patterns, melting glaciers, and rising

sea levels were all attributable at least in part to emissions of greenhouse gases from human activities. The 1990s was the warmest decade on Earth since meteorological records have been kept.

² Unless otherwise cited, data comes from the World Bank, United Nations Development Programme, United Nations Environment Programme, and the World Resources Institute database (World Resources 2000-2001) prepared in cooperation with these three international agencies.

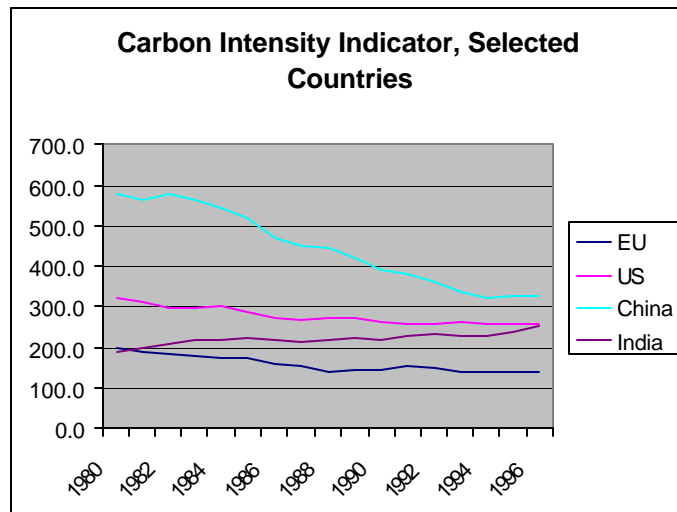
³ Data from GEF.

41. Driven by the growing use of fossil fuels, emissions of greenhouse gases have risen rapidly in past decades. However, in the 1990s, global emissions of carbon dioxide, the most important greenhouse gas, rose more slowly than previously, peaking in 1997 at about 6.4 billion tons of carbon. Emissions have since declined slightly,⁴ but emissions levels are still above what has been found sustainable by the Intergovernmental Panel on Climate Change (IPCC).



42. These global trends masked a dramatic reduction in emissions due to the economic contractions in Russia and the eastern European countries, a substantial rise in emissions in western industrial nations (primarily in the United States), and a more rapid rise in emissions from developing countries.

43. Aside from emissions, there is evidence that many economies are becoming less carbon intensive. The global ratio of carbon emissions to economic output declined steadily during the 1990s, with the most dramatic improvements in China, which reduced its carbon intensity by more than any other major country.⁵



44. Degradation of ecosystems accelerated in the 1990s, undermining their ability to provide food, fiber, flood control, nutrient recycling, and a host of other ecosystem services, including conservation of biodiversity.

45. Forests, for example, cover nearly 25 percent of the world's land surface and help maintain water supplies and prevent erosion. They provide habitat for two-thirds of known terrestrial species. But forested land is being converted to other uses, especially in tropical forest countries, at rates of about 130,000 square kilometers per year. Wood

⁴ *Vital Signs 2001*. Worldwatch Institute (New York: W.W. Norton & Company, 2001): 53.

⁵ *What Might A Developing Country Climate Commitment Look Like?* Kevin Baumert, Ruchi Bhandari, and Nancy Kete (Washington DC: World Resources Institute, May 1999): 3.

harvesting is occurring at rates above the replacement rate in Canada, Russia, Australia, and in most developing countries.

46. Nearly 30 percent of the world's major watersheds have lost more than three-fourths of their tree cover, lowering the dependability and quality of water supplies and increasing the likelihood of floods. Forests are increasingly fragmented, as roads open up access to clearing for settlement, firewood gathering, and invasion by non-native species and break up habitats into parcels that can be too small to support viable animal or bird populations. Toward the end of the decade, land conversion, logging, and other human activities had put 39 percent of the remaining intact forest ecosystems at significant risk of degradation.⁶ Forests are also a major storehouse of carbon, and clearing and forest degradation added nearly 20 percent to global emissions of carbon dioxide, increasing the likelihood of climate change.

47. Marine and freshwater ecosystems also faced growing pressures. In Southeast Asia and the Caribbean, tourism, destructive fishing, land-based pollution, and other stresses put nearly 70 percent of the coral reef ecosystems at significant risk of degradation.⁷ Worldwide, harmful algal blooms in coastal areas increased rapidly. Some 700 incidents of algal toxins affecting public health, fisheries, or birds were recorded in the 1990s, up from 200 in the 1970s.⁸ The number of hypoxic zones, devoid of all life, increased in coastal waters near intensively farmed watersheds or major industrial centers. Disease incidence among marine mammals and coral reefs has risen dramatically.

48. Nearly 1 billion people depend on fish as their primary source of protein, but the outlook for world fisheries worsened during the 1990s. Some 75 percent of the world's marine fisheries were judged to be at risk, up from 69 percent at the end of the 1980s.⁹ World fishing fleets gained the capacity to capture 40 percent more fish than the major ocean fisheries are projected to sustain. Trawling, an especially destructive fishing method that drags weighted nets across the sea floor, expanded to cover an estimated 15 million square kilometers.¹⁰

49. Freshwater ecosystems faced pressures from growing withdrawals of water, primarily for irrigation, and from other major human interventions. Water use grew at twice the rate of human population, and by the mid-1990s, 40 percent of the world's population lived in conditions of water stress or water scarcity. Fragmentation of freshwater ecosystems continued to increase rapidly: as of 1998, some 349 major dams were under construction in river systems around the world, many on rivers that cross international boundaries.

⁶ *The Last Frontier Forests: Ecosystems and Economies on the Edge*. Dirk Bryant, Daniel Nielsen, and Laura Tangle (Washington, DC: World Resources Institute, 1997): 1.

⁷ *Reefs at Risk: A Map-Based Indicator of Threats to the World's Coral Reefs*. Dirk Bryant, Lauretta Burke, John McManus, and Mark Spalding (Washington, DC: World Resources Institute, 1998):

⁸ *Health Ecological and Economic Dimensions of Global Change (HEED)*, 1998. Marine Ecological Disturbance Database.

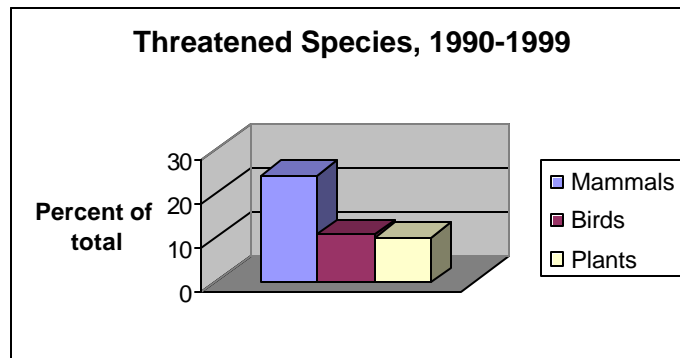
⁹ *State of Fisheries and Aquaculture 2000*. (Rome: UN Food and Agriculture Organization, 2000).

¹⁰ Watling and Norse, 1998. *Conservation Biology* 12 (6): 1180-1197.

50. Food production, by and large, kept pace with population growth, as irrigation expanded and yields continued to improve. But agro-ecosystems face future problems from declining nutrient balances, soil erosion, and overuse of ground water resources. The area planted with transgenic crops expanded rapidly at the end of the decade, from 1.7 million hectares in 1996 to 40 million hectares in 1999.

51. A record number of plants and animal types were threatened with extinction during the 1990s, including 1,096 species of mammals (24 percent of known species), 1,107 species of birds (11 percent), and 25,971 species of plants (10 percent).

52. Stresses on the environment come from many human activities, but ultimately stem from the needs of a growing population and the even more rapid growth in consumption of natural resources. World population grew by about 700 million people (13 percent) in the 1990s, even though average fertility



declined substantially in developing countries—from 3.4 births per woman in 1990 to 2.9 in 1999. Urban areas expanded, growing by more than 50 million inhabitants per year. Household consumption expenditures rose 40 percent in the 1990s, with high-income countries accounting for a fairly consistent 80 percent of the worldwide total. Not all consumption adds directly to environmental stresses, but use of natural resources has continued to grow. Worldwide energy use, for example, rose 17 percent between 1987 and 1997; electricity use grew 32 percent. The number of passenger cars reached 500 million worldwide, a 25 percent increase from the beginning of the decade.

B. ECONOMIC AND SOCIAL TRENDS

53. With the end of the Cold War and the gradual transition of centrally planned economies to market-oriented approaches, the global expansion and integration of markets accelerated in the 1990s. Foreign direct investment increased more than four-fold, from US\$200 billion in 1990 to \$884 billion in 1999. Developing countries received part of these inflows (for low and middle income countries, the numbers are \$24 billion in 1990, and about \$185 billion in 1999), but most of this was concentrated on a small number of countries. The large majority of developing countries gained little or no benefits from direct foreign investments. Over the same period, worldwide capital flows more than doubled, reaching 18.3 percent of world GDP in 1999. Trade in goods and services expanded from 39 to 52 percent of world GDP over the decade. The economic importance of global financial markets, and of large multinational corporations, continued to increase. Partly as a result of this globalization of economic activity, output expanded, with developing economies growing at 3.2 percent over the decade and high-income countries at 2.3 percent.

54. Assisting global integration was the growing power of information and communication technologies and the rapid growth of the Internet. During the 1990s, the “digital revolution” promoted the widespread availability of information and established new forms of communication and commerce. By the end of the decade, virtually every country was connected to the Internet, although access and costs remain highly uneven among countries.

55. The benefits of growing prosperity—or the means to achieve it—were not shared very equitably, however. By the end of the decade, the developed world accounted for one-fifth of the world’s population but three-fourths of world economic output. The gap between average income in an industrial country and that in a developing country rose from \$16,873 in 1990 to \$18,375 in 1997.

56. An estimated 1.5 billion people (38 percent of those living in rural areas) still lack access to clean water. Poverty remains widespread, with more than a billion people living on less than \$1 per day and more than 2.7 billion living on less than \$2 per day. In addition to material deprivation, the poor also face heightened vulnerability, social exclusion, and exposure to environmental risk. Among the many serious diseases facing all countries, the AIDS epidemic has spread to infect one of every 100 adults worldwide. With 66 percent of the world’s HIV-positive population living in sub-Saharan Africa, the region’s countries have suffered devastating human and economic costs.

57. Despite these growing needs, official development assistance (ODA) declined from 0.3 percent of world GDP in 1990 to 0.2 percent in 1999—a total of just \$48.5 billion. The decade also saw a significant shift of the available ODA from developing country recipients to economies in transition.

58. Globalization has created new economic opportunities for developing countries, while simultaneously increasing the vulnerability of many poor communities. Easily devastated by forces beyond their control, like natural disasters, such communities are also vulnerable to disruptions caused by volatile capital flows and increased government policy interest in more intensive exploitation of natural resources. Poor communities often face reduced access to water, forests, or prime coastal areas, even when their economic livelihoods are heavily dependent on such natural resources.

59. In the context of a rapidly changing world and steadily worsening global environment conditions, the role of the GEF is critical. At the same time, given its relatively recent origins and comparatively modest resources, it is not realistic to expect that the GEF can, by itself, turn around global environmental trends. It is in that context that the OPS2 team has considered its assessment.

III. PROGRAM IMPACTS, RESULTS, AND POLICY ISSUES

60. The OPS2 team was specifically asked to assess program impacts and other results in light of the GEF portfolio's growing maturity. For this task, the Team has mainly relied on the following sources of information:

- Four program studies conducted for OPS2 by the monitoring and evaluation team at the GEF Secretariat, with staff from the three IAs and supported by external consultants, and a fifth document, an external evaluation of the ozone program, were the starting points for the assessment.
- Evaluation reports from completed projects and reports and documentation from IAs regarding ongoing projects were used to assess and supplement the findings of the program studies.
- Country and project visits and regional consultations carried out by the OPS2 team were also used to assess and supplement the findings of the program studies.
- Interviews conducted with the IAs, STAP, and convention secretariats (CBD, UNFCCC, and CCD) also informed the assessment.

61. The OPS2 team notes a number of limitations in available data and information. First, due to the lack of baseline data, the program studies had difficulty reporting measurable results related to the GEF's impact on the global environment, whether from completed or ongoing projects. Second, only a relatively small number of projects (95) have been completed. Among these, 41 evaluation reports were available for the OPS2. Hence, the OPS2 analysis of the completed projects represents about 12 percent of the total portfolio. A third limitation is the difficulty of measuring impacts from older projects (those approved during the Pilot Phase) due to a lack of impact-related data gathered. Furthermore, a clear operational definition of global environmental benefits is still not well developed in the GEF. Without such definitional clarity, it is difficult to obtain precise measurements of the impact of GEF activities on the global environment.

62. In reporting the impact of GEF projects, the OPS2 team has focused primarily on the role of the GEF. In fact, GEF projects involve strategic partnerships between IAs, governments, national institutions, NGOs, communities, and private sector entities. The projects are financed partly by the GEF and co-financed by governments and other supporting agencies or firms in the public and private sectors. In discussing the impacts of GEF projects, this report may not explicitly attribute credit to each of the partner agencies (especially governments). However, the intent is that credit for the achievements be shared among all stakeholders involved.

A. OZONE: IMPACTS AND RESULTS

63. Over the past decade, the GEF has committed \$138 million to assist the phase-out of ozone depleting substances (ODS) in countries with economies in transition (CEIT). These countries were not able to draw on the Multilateral Fund for the Implementation of the Montreal Protocol, which is reserved for assisting developing countries. The GEF investment, together with co-financing expected to total \$67 million, has supported 121 subprojects in 17 countries.

64. The GEF ozone program has had an unambiguous impact in assisting and catalyzing the phase-out of ODS in the CEITs. As of 1999, six countries were in compliance with their obligations under the Montreal Protocol; six additional countries are expected to be in compliance by or before 2003. As of 1999, ODS consumption in the 14 countries with extensive project implementation experience had declined by more than 90 percent, from about 190,000 tons to less than 15,000 tons annually.¹¹ The largest absolute decline occurred in Russia, which had accounted for over two-thirds of the ODS production and consumption among CEITs receiving GEF support.

65. The GEF program used an approach that targeted whole sectors and developed comprehensive country strategies. In comparison with similar phase-out efforts in developing countries supported by the Multilateral Fund, which initially targeted micro-projects, the available evidence is compelling that the GEF efforts have been successful. Total reductions in ODS consumption exceeded 175,000 tons, and all recipient countries have recorded significant reductions. The GEF program has also been relatively efficient, in large part because of its sector and country strategy: based on direct, audited reductions, the average cost has been \$7.5 per kilogram of reductions.

BOX 3.1 PHASING OUT OZONE-DEPLETING GASES IN BULGARIA

This World Bank-implemented GEF project met its objective—Bulgaria is now in compliance with its Montreal Protocol obligations—and ultimately exceeded its reduction target of 334 ODP tons of ozone depleting substances. It did so by engaging the government; targeting key sectors of the economy, including extensive capacity development; and conducting innovative public awareness efforts. Consumption went from 1,360 ODP tons/year in 1992 to an essentially complete phase-out of Annex A and B substances in 1998, with much of the impact already underway during the project's planning phase.

The project involved 11 subprojects targeting technical conversions in enterprises operating in three specific economic sectors. It gained the full support of the Ministry of Environment, which created and trained a three-person task force. The project also trained 1,500 technicians and customs officials and helped provide border-crossing points with ODS detection equipment to enforce a 1996 ban on imports and control smuggling. An NGO-implemented public awareness campaign focused on teenagers, using posters, stickers, painting contests, and rock concerts that generated nationwide television and radio coverage. Following the end of the GEF project, the Ministry of Environment is continuing ODS reduction efforts with other donor support.

¹¹ For Annex A and B substances, the measurement unit used is metric tons weighted according to the ozone depleting potential of the respective substance.

66. According to the external evaluation report on the ozone program, audited reductions directly attributable to the GEF investments amount to 27 percent of the total reductions achieved by 1999.¹² Economic slowdowns and the process of economic transition, as well as country preparation for accession to the European Union, contribute substantially to the bulk of the reductions. However, the external evaluation study credits the GEF program with catalyzing larger reductions through funding institution strengthening activities that enhanced recipient country commitments. These activities included developing legislative frameworks, improving the exchange of information, and conducting public awareness campaigns. An OPS2 field visit to Bulgaria was able to verify the findings of the external evaluation report in that country (see Box 3.1), and the OPS2 team agrees generally with the report's overall findings.

67. Overall, the Team finds that (i) the GEF has been responsive and supportive of the Montreal Protocol, (ii) the impact of the GEF has been significant in helping to achieve meaningful reductions in ODS, and (iii) the GEF has helped materially in assisting CEIT countries to meet their obligations under the Montreal Protocol.

B. OZONE: PROGRAM AND POLICY ISSUES

68. The GEF-funded ODS reduction efforts did encounter a number of problems. Implementation was delayed in some cases by economic instability within recipient countries or by the time required for countries to ratify the London Amendment of the Montreal Protocol. The program also encountered problems updating most countries' refrigerator servicing sectors because of a lack of substitutes usable in existing equipment. Efforts so far have focused primarily on Annex A and B substances, but CEITs also have commitments to limit the consumption of HCFCs and methyl bromide. Further efforts will be needed achieve these commitments.

69. Despite such problems, the GEF's ODS-related activities have been generally successful in achieving the GEF objective of enabling compliance with the Montreal Protocol. Among the lessons learned from this effort are the importance of national commitments to the phase-out goal and the value of integrated approaches.¹³ For example:

- Countries formally adopted national programs, and GEF grants were structured to enhance the national commitment.
- Country-wide programs were integrated with sector-specific strategies.
- Phase-out efforts were supplemented by capacity-building efforts that targeted economic, political, and legal barriers and strengthened key institutions, such as customs services. Policy development also played an important role.

¹² *Study of Impact of GEF Activities on Phase-Out of Ozone Depleting Substances* (GEF Evaluation Report #1-00).

¹³ As discussed in *Study of Impact of GEF Activities on Phase-Out of Ozone Depleting Substances*.

70. Some of these approaches, such as sector strategies, are being adopted by the Multilateral Fund that supports the Montreal Protocol in developing countries. Because of the similarity of ODS problems to those of persistent organic pollutants (POPs), these lessons and strategies also may have applicability in new areas of the GEF's work.

71. A broader lesson concerns the GEF policy framework within which the ODS reduction program took place. The OPS2 team found evidence that, while effective, the program could have been more efficient if it had been allowed to use economic instruments across the entire portfolio of projects, not just for small and medium enterprises. In particular, use of GEF funds to provide incentives for governmental action or to underwrite investment risk might have accelerated government commitments and encouraged more rapid action by individual decisionmakers. This finding, too, may have relevance to other areas of the GEF's work, perhaps especially in the climate portfolio and in engaging the private sector more fully in all focal areas. Even so, the relatively wide discretion, within an agreed country program, that each government was given to determine how to use GEF funds for ODS reduction seems to have played an important role in catalyzing national commitment, and highlights the strategic value of GEF policies that more directly empower governments.

72. With all projects under implementation and substantially complete achievement of its objectives, GEF's ODS reduction efforts for Annex A and B substances are themselves winding down, while support to phase out methyl bromide and HCFCs continues.

C. CLIMATE CHANGE: IMPACTS AND RESULTS

73. Since the inception of the GEF, 270 climate change projects have been approved in 120 countries for a sum of about \$1 billion, with an expected \$5 billion in co-financing.

74. Among the 43 climate projects that have been completed or have been in operation for at least 2 years by June 30, 2000, 19 were in Asia, 12 in Eastern Europe, eight in Africa, and four in Latin America.

75. The GEF's climate portfolio has demonstrated a wide range of approaches to promote energy efficiency and renewable energy. Early efforts focused on technology development and demonstration, while more recent projects have targeted market development, demonstration of sustainable business models, financing mechanisms, or demand-side incentives.

76. The OPS2 team finds that project impacts from the climate change focal area are slow in emerging, because only a small part of the portfolio (28 projects) has been completed so far. Nonetheless, the Team finds that there have been important results in a number of specific areas described below. It also finds that there have also been important indirect influences and impacts from GEF projects in the climate change focal area. These include GEF-stimulated awareness and understanding of climate change issues observed in many countries visited by the OPS2 team; greater knowledge of

specific technologies by policy-makers, financial institutions, energy sector companies, investors, and NGOs as a result of GEF commitments; and investment decisions or policy actions triggered by increased awareness and confidence.

TECHNOLOGY DEVELOPMENT AND DEMONSTRATION

77. One successful example of technology development and demonstration has been the development of coal-bed methane resources in China. By developing a variety of methods for tapping methane from coal beds, the project (*Development of Coal-Bed Methane Resources*) led to the commercialization of this technology in China. In addition to widespread replication in China, the technology is now taught in university curricula and has been widely spread through international conferences, affecting practices in other countries (see Box 3.2).

Box 3.2 TECHNOLOGY DEVELOPMENT AND COMMERCIALIZATION IN CHINA

This project, implemented by UNDP with some \$10 million in GEF funding, aimed to help protect the local and global environment by demonstrating appropriate techniques and technologies to reduce methane emissions from coal mines and by sensitizing national and local-level policymakers. The project clearly demonstrates how GEF funding has assisted the development and dissemination of innovation, leading to the development of a viable commercial concern with the ability to compete at the international level. It has also put in place a policy framework to guide the development and use of coal-bed methane (CBM) in China.

Prior to the project, methane was perceived as a nuisance, with only a small amount used for domestic and limited industrial purposes. Technologies for CBM recovery, exploration, and production were also lacking, as was the policy framework for methane recovery. The project approach used was to tap methane from the coal bed rather than emitting it into the atmosphere and increasing GHG emissions. Two methods were used: the vertical gob well and the horizontal gob well.

Benefits resulting from this initiative, which achieved all its main stated objectives, included:

- A substantial increase in the rate of recovery of methane from the coal bed from 40 to 70 percent
- An increase in the number of households using methane for cooking through the production of an additional 25 cu.m/year each for 22,000 households, and through four 5-ton boilers with the eventual capacity to satisfy 165,000 households
- Increased revenues from sales of gas (Y25 million/year in Tiefa and Y12 million/year in Songzao)
- The designation of CBM as a national priority in China's development plans and its citation in environment and energy policy speeches
- The inclusion of CBM recovery in the curricula of technical colleges and universities
- Formation of the China United Coal-Bed Methane Corporation with the authority to direct national CBM programs
- Substantial improvement in air quality and safety in mining areas and towns, and the virtual elimination of gas explosions from mines
- Demonstration and mastery of improved technologies for resource assessments, methane exploration, and methane use, and the development of new techniques that have been disseminated to other countries via training and workshops
- The development of sufficient capacity to drive the process on a commercial basis: The Tiefa mining company has now been able to attract funds from APEC and is interested in identifying further support to expand its operations to the provincial capital, Shenyang.

78. Another instance of successful technology development has been the adaptation of gasifier/gas turbine systems to burn biomass fuels, along with associated techniques

for collecting and handling such fuels, in Brazil. The technology has the potential to increase power generation by a factor of five or more compared to conventional biomass power plants. Two projects, one focused on wood chips (*Biomass Integrated Gasification/Gas Turbine* project) and the other on sugar cane bagasse and sugarcane wastes (*Biomass Power Generation: Sugar Cane Bagasse and Trash* project), have brought the technology to the threshold of commercial demonstration in Brazil (see Box 3.3), with current replication in a United Kingdom plant.

Box 3.3 SETTING THE STAGE FOR BIOMASS POWER IN BRAZIL

Two separate UNDP-implemented projects have helped to prepare the way for commercialization of an efficient new biomass power technology in Brazil, with the potential for global impact. The technology involves gasification of biomass—woodchips from plantations of rapidly growing trees in one project, sugar cane bagasse and field wastes in the other—and combustion of the resulting gases in a high-efficiency gas turbine to generate electric power. The projects were undertaken at a time when interest in biomass power and concern over climate issues were not high in Brazil. GEF grants were thus essential to engage major private sector entities—a major regional utility, CHESF, and the sugar cane industry, through its Copersucar cooperative—in developing an unproven technology.

The two projects produced a number of results. They resolved virtually all technology and system integration issues, including developing and testing equipment to harvest, dry, and feed the biomass fuels. The sugar cane project showed that field wastes can be successfully gasified, roughly doubling the available fuel supply and making possible year-round power generation. Both projects completed the engineering design of a commercial demonstration plant.

Moreover, both projects helped change attitudes of key stakeholders about the potential of biomass power and increased Brazil's capacity to commercialize this technology. Hydropower-based utility companies like CHESF came to see growing trees as a form of energy storage, much like water behind a dam. The sugar cane industry, which already generated much of its own power using conventional (steam) technology, became aware that the gasifier-turbine technology could increase the efficiency of biomass power generation from 5 percent to 27 percent. The Copersucar technology center gained an international reputation as a leader in biomass power. The projects also contributed to heightened awareness of the energy potential and climate-related benefits of biomass power among university scientists and government officials at the state and federal level.

But neither project had proceeded to commercial demonstration in Brazil. Indeed, long delays in taking this step for the woodchip project, for which a World Bank loan had been approved, had led to negative internal reviews, even though a commercial demonstration plant based on the same technology and strongly influenced by the Brazilian work is now underway in the United Kingdom. Then, in early 2001, Brazil experienced an energy crisis brought on by several years of low rainfall and a drop in hydropower production, necessitating extreme conservation measures and setting off a scramble to find additional sources of power.

The sugar cane industry awoke to discover a lucrative new commercial opportunity on its doorstep, with utilities bidding ever-higher prices for the modest amounts of power it generates. One mill is already producing 15 MW of power for sale, and 5 additional mills are installing equipment to produce similar quantities, using conventional technology. Suddenly, being in the power business was more than a sideline, and the major efficiency gains available from gasifier-turbine technology seemed commercially significant. São Paulo State energy officials, aware of the strategic importance of the state's bagasse resources, are committed to pushing ahead rapidly with commercial demonstration. CHESF, its hydropower reservoirs depleted, decided to go ahead with the woodchip commercial demonstration plant and asked the Bank to execute the loan. CHESF reports that it has been approached by other private sector entities, including Japanese companies, about participating in commercializing the technology.

Although the market opening created by Brazil's energy crisis may have tipped conditions in favor of commercial biomass power, the GEF projects clearly created the potential for commercialization and put Brazil in a position to be the world leader in this technology. Moreover, if commercialization occurs, as now seems likely, it could well have global climate significance. The worldwide, 1-billion ton, sugar cane industry alone, if it turned its bagasse and field waste to power, could displace nearly 250 million tons of oil (or its equivalent in other fossil fuels) annually.

79. Demonstration of new, grid-connected, renewable technologies has occurred in a number of countries, with the largest direct and indirect impact in India (close to 1000 MW). Other examples of renewable technologies include biogas power from sewage treatment plants or landfills in India and Jordan, wind power in India, and bagasse-based power in Mauritius. In Mauritius, the GEF *Sugar Bio-Energy Project* stimulated significant private sector involvement in the power sector.

80. Off-grid solar photovoltaic systems for rural electrification comprise the largest part of the GEF climate change portfolio. Some 18,000 systems have been installed, but this achievement is small relative to the 600,000 systems expected to be installed when the implementation of 23 GEF-funded solar PV projects is complete. Furthermore, several promising business and consumer credit models for solar PV are showing initial success, with good prospects for replication on a larger scale. Progress has been made in terms of increased awareness and enhanced technical standards in several countries. Some modest impact on rural electrification planning and policies has been achieved in a few countries. Development of micro-financing schemes for rural households is a common feature in these projects, and these schemes have helped to boost the market in rural areas.

MARKET-ORIENTED APPROACHES

81. GEF-supported projects succeeded in developing or promoting markets for efficient energy lighting, refrigerators, electric motors, and other products and systems in a number of countries. Efficient lighting has been the main success. A project in Poland, for example, targeted subsidies to manufacturers of efficient lights and improved penetration from 10 percent of households to 33 percent after 1 year (see Box 3.4). In Mexico, two financing schemes for efficient lights—one in which customers were allowed to pay for the lights through electricity bills and another in which the users pay through their salaries—greatly increased the market. More than 5 million efficient lights

Box 3.4 TRANSFORMING THE MARKET FOR EFFICIENT LIGHTING IN POLAND

The *Poland Efficient Lighting Project* (PELP), implemented by the International Finance Corporation (IFC), aimed at replacing incandescent light bulbs with energy-efficient compact fluorescent lamps (CFLs) to reduce energy consumption and consequently reduce carbon dioxide emissions. Prior to this project, Philips had introduced CFLs into the Polish market, but sales were negligible. Pricing was a major barrier, with CFLs then priced at around \$15 compared to \$0.4 for incandescent bulbs.

The project used direct subsidy programs, expanded distribution channels, product promotion, and public education to increase the dissemination of CFLs. Local manufacturers had to compete for subsidies based on their projected energy savings.

After one year, penetration of CFLs in households increased from 11.5 percent to 33.2 percent, and has now reached 50 percent, far higher than in most OECD countries. The CFL price declined in real terms by 34 percent between 1995 and 98 and has remained stable since then. Generally, consumer satisfaction and awareness is very high.

Since the completion of the project, in 1998, a cooperative program was initiated to build on its success, further leveraging the marketing investment. Sales have increased, and new manufacturers have entered the Polish market. The project thus illustrates the value of market stimulation, transforming a low-demand, high-price market by using manufacturer subsidies and a mass media campaign.

have been installed as a result of GEF projects, with sustained reductions in market prices to the benefit of consumers. Mexico launched a follow-on project to replicate the GEF project on a much larger scale, and a number of Asian countries are replicating a China efficient lighting project even before implementation has begun.

82. A novel financing approach—using GEF funds to provide loan guarantees to commercial banks that financed energy service companies (ESCOs)—proved very successful in stimulating the lending market for energy efficiency in Hungary (see Box 3.5). The IFC has since committed its own funds to expand the project. GEF efforts reported in the Climate Change Program Study have also helped establish viable ESCOs in Tunisia and China and attract commercial bank financing for energy efficiency projects in Egypt. Because the China project also helped to resolve policy and legal issues surrounding ESCOs, replication in the form of a growing ESCO industry seems likely in that country.

Box 3.5 CATALYZING ENERGY EFFICIENCY MARKETS IN HUNGARY

Hungary's overall energy intensity is three times the OECD average, so there are substantial energy efficiencies to be realized. Yet a legacy of subsidized energy prices and little attention to energy efficiency means that such improvements represent a significant challenge. Energy efficiency investments have been modest.

An IFC project is having a significant impact in Hungary and, in doing so, is illustrating the potential of new financial instruments to advance the GEF's mandate and substantially leverage its limited funds. The project provides an incentive for commercial banks to make loans for energy efficiency investments, a new area of business for virtually all Hungarian banks. The incentive takes the form of a loan guarantee covering up to 50 percent of the loan, thus lowering the bank's perceived risk. The loans are made at commercial rates to energy service companies (ESCOs) or to a portfolio of end users in both the public and private sector.

In one example visited, a private ESCO—Kipcalor—won a bid to design, build, and operate a new heating and cooling system for the Semmelweis Medical University teaching hospital in Budapest on the basis of a GEF-guaranteed loan. The new computer-controlled energy system for the 27-building hospital complex generates much of the hospital's power needs while cutting energy used for heating and cooling by 40-45 percent. The energy savings pay for the project, and Kipcalor expects its investment to show positive cash flow within a few years. Replicability is demonstrated by the fact that, based on the Semmelweis experience, Kipcalor and the commercial bank are jointly bidding on a larger hospital energy project without a GEF loan guarantee.

The project is targeting hospitals, schools, railway stations, municipal district heating systems, institutional and industrial lighting, and apartment complexes (the primary housing stock in Budapest). The importance of using commercial banks as financial intermediaries is evident in the way the Hungarian energy efficiency market works: When projects are put up for bid, an ESCO does its analysis, then seeks a loan to enable it to enter a bid. Loan decisions are typically made within a day to meet the constraints of the short bidding period.

IFC officials estimate that the project will actually expend less than 5 percent of the GEF funds committed to loan guarantees; when the loans are repaid, these funds can be reused. If these estimates are correct, the loan guarantee approach is providing commercial co-financing approaching 20 times the GEF investment. Moreover, the IFC plans to expand the loan guarantee fund fourfold using its own money, effectively quadrupling the leveraging of GEF funds. The IFC chief of mission, Borbála Czako, believes that the GEF funds play a critical role, because some is applied to education and the engagement of each new sector in energy efficiency. She also believes that the risk guarantee approach using intermediary institutions could be effectively extended to catalyze change in environmental areas well beyond energy efficiency.

83. Providing business and supporting services is an approach that has proved effective in a few GEF projects. In Thailand, a demand-side management project (*Promotion of Electricity Energy Efficiency*) used public awareness campaigns, appliance energy labels, and other educational approaches to increase energy efficiency. In Bulgaria, a GEF project (*Energy Efficiency Strategy to Mitigate GHG Emissions*) created a network of mayors of municipalities and helped the network to conduct energy audits and understand potential energy savings. That knowledge, and the further recognition of human health impacts—in Bulgaria, many school rooms go unheated because municipalities cannot afford to pay for heat from antiquated district heating schemes—triggered energy efficiency investments in many towns.

CAPACITY-BUILDING AND INSTITUTIONAL DEVELOPMENT IMPACTS

84. GEF support within its enabling activities program to over 120 countries to prepare national communications to the FCCC has often had a significant impact on national capacity and awareness of climate change issues. These projects engaged and helped train engineers, scientists, and other government officials and university academics, enabling them to better appreciate and cope with the challenges of climate change issues. In Brazil, for example, the OPS2 team was informed that some 500 professionals from more than 100 different institutions participated in that country's emissions inventory alone. In addition, the Team observed that newly trained professionals have formed informal networks among different regions and countries that meet and communicate regularly through conferences and workshops. The increase in participation by professionals from developing countries in the international climate debate is an indirect impact of capacities gained through participation in enabling activities. Also, as a result of GEF projects, the capacity to prepare project proposals has developed in a few countries; Senegal, for example, now makes use of local consultants to prepare GEF projects.

85. GEF projects evaluated by the OPS2 team and as part of the Climate Change Program Study show that a variety of institutions have been created or strengthened. One example is the strengthening of a Thailand utility by creating a demand-side management office, which led to bulk procurement of efficient lights and major price reductions throughout the country. Another is the creation of coal-bed methane enterprises in China with the ability to search for business deals and funding from diverse sources. The development of independent power producers in Mauritius, Sri Lanka, and India, and the formation of the Jordan Biogas Company, a public/private partnership between municipalities, a utility, and a private company, also illustrate this impact.

86. Vulnerability and adaptation to climate change impacts are emerging as important areas of GEF funding. The Caribbean *Planning for Adaptation to Climate Change* (CPACC) project is among the first examples of this type of project (see Box 3.6).

Box 3.6 VULNERABILITY AND ADAPTATION TO CLIMATE CHANGE—CARIBBEAN PLANNING FOR ADAPTATION TO CLIMATE CHANGE (CPACC)

Potential impacts identified in climate change forecasts by the scientific community are among the highest priorities for small island and low-lying coastal states' development agendas. Twelve Caribbean countries, members of CARICOM (the Caribbean Community), are presently participating in a GEF-supported project that is undertaking the planning process to cope with adverse impacts of climate change, particularly sea level rise, in coastal and marine areas. This process will focus on vulnerability assessments, adaptation planning, and capacity building. It follows a regional approach and is being executed cooperatively by all 12 participating countries, the University of the West Indies' Center for Environment and Development, and several regional institutions, such as the Organization of American States. The result is that although CPACC is a regional project (i.e., considers the limited technical capacities and resources of many of the countries), its elements represent national priorities.

Since the project's inception, CPACC has received excellent support from all member governments and from the regional political system. The project has, among other things:

- Established a large monitoring network of gauges of meteorological and sea level measures, including a regional archiving center
- Integrated information from the Caribbean into global monitoring efforts (GCOS and GLOSS) as well as other regional efforts (Central America)
- Strengthened regional and national capacity, such as increased participation of Caribbean countries in the UNFCCC process, on climate change issues
- Directly benefited country development agendas by identifying the socioeconomic, environmental, and geographic areas particularly vulnerable to the adverse effects to climate change
- Established the Caribbean Climate Change Center as a regional center of excellence
- Prepared national and regional policy options and instruments to help initiate implementation of long-term programs of adaptation to climate change impacts in vulnerable coastal areas .

POLICY DEVELOPMENT

87. Several GEF-supported projects have directly and indirectly resulted in policy changes in some countries. These policy changes mainly involve setting up national codes and standards and developing specialized regulations. The solar photovoltaic project in Zimbabwe led to the development of national codes for installing solar PV systems. Similarly, a Mexican lighting project led to the development of national quality standards for high-efficiency lights. In Thailand, a utility collaborated with the Thai Consumer Protection Agency in getting mandatory labeling on refrigerators. In China, national standards for refrigerators resulted from an energy efficiency project in that country. In Senegal, an energy efficiency project (*Sustainable and Participatory Energy Management*) led to the development of building codes.

88. As a result of GEF-funded projects, some countries have also developed power-purchase agreements for private power supply systems. This is important because it

enables a private power supplier to sell its power to the national utility at acceptable terms. One instance reported in the program study is a biomass power project in Mauritius, resulting in a power-purchase agreement between the sugar industry and the national utility. Similar agreements provided an institutional and regulatory framework for independent power producers in Sri Lanka. In Jordan, the OPS2 team was informed that the biogas power project (*Reduction of Methane Emissions and Utilization of Municipal Waste for Energy in Amman*) was negotiating a power-purchase agreement with the national utility. Overall, however, the OPS2 findings parallel those of the program study: The GEF potential for influencing policy is much higher than what has so far been achieved.

D. CLIMATE CHANGE: PROGRAM AND POLICY ISSUES

89. The OPS2 team identified a number of significant issues pertinent to ongoing and future work in this focal area.

SHARING EXPERIENCE

90. The Team considers it important that the sharing of lessons gained from GEF projects be strengthened and accelerated, so that GEF resources can be used more effectively. The transfer of lessons across projects has been slow and effective efforts relatively recent. The Team also considers it important that specific efforts be made to encourage more systematic use of the results and outputs of GEF-funded projects for the improvement of national plans and strategies in climate change. Though the climate change portfolio has few completed projects so far, project lessons are beginning to emerge. They have the potential to form a body of knowledge that can be applied to ongoing projects and used in designing new projects. The second phase of the *Energy Conservation and GHG Emissions Reduction in Township and Village Enterprise Industries in China* project was largely built on the experience gained in the first phase of the project, especially the development of technical skills and educational materials. The Thailand demand-side management project provided some lessons for a similar project in Vietnam.

REPLICATION OF PROJECT RESULTS

91. With only about 28 completed projects in the climate change portfolio, it is difficult to assess further replication and sustainability of project results. Replication of project results is quite limited so far, as discussed above, and has not been systematically addressed in project design. A number of factors can inhibit project replication. For example, the energy efficiency project in Jamaica (*Demand-Side Management Demonstration*) developed a demand-side management (DSM) unit in a public utility, but the utility is being taken over by foreign investors whose interest in continuing DSM-related project activities was uncertain at the time of the OPS2 visit. Subsidy schemes can be difficult to replicate, as illustrated by the doubtful viability of the consumer fund created by the Zimbabwean PV project (*Photovoltaics for Household and Community Use*), the PV project in Uganda (*Photovoltaic Pilot Project for Rural Electrification*), and the energy efficiency project in Senegal (*Sustainable Participatory Energy Management*)

that provided major subsidies to a private hotel for efficient lighting and retrofit measures, with no evidence available to an OPS2 team that the gains from this project will be replicated after project completion.

92. Perhaps one of the most important factors inhibiting replication, given the important role of the private sector in energy production and in the production of energy-consuming products, is the lack of an enabling environment for business in some client countries and the frequently low involvement of the private sector in GEF projects. OPS2 findings demonstrate that a clear understanding of the scope for technology development and demonstration, an emphasis at the project design stage on market transformation, the demonstration of viable business models, and other approaches that effectively engage the private sector could help improve replication.

STRENGTHENING PROJECT RISK ASSESSMENT AND MANAGEMENT

93. Significant project risks confront both project design and implementation. It is therefore important to consider carefully the implications of these risks at an early stage. Project risk assessment and management needs to be strengthened so that projects can adjust to changes in the market, technology, policy, macroeconomic conditions, co-financing, and government commitments.

94. While the Jamaica project mentioned previously was found to be relatively successful during most of project implementation, it suddenly encountered a new risk caused by change in ownership of the public utility. The Uganda photovoltaic project ran into problems caused in part by user non-payment. Such economic and financial factors can have a decisive effect on market responses and institutional viability beyond the life of the project. Implementing and executing agencies thus need the capacity to make sophisticated risk assessments and manage a wide range of potential risks if they are to successfully manage market-oriented projects. This is of special concern in the context of expanded opportunities for executing agencies. Carefully choosing executing agencies with the necessary range of market awareness and financial skills is an important starting point. Additionally, broader use of economic instruments in project design could help provide the necessary flexibility and risk management tools.

LONG-TERM PROGRAMMATIC APPROACHES

95. Long-term programmatic approaches, in which all the GEF projects in a country are coordinated and matched with a long-term national strategy, require sufficient GEF "credibility" and IA experience in a country. The OPS2 team found that the Chinese experience, strongly supported by the World Bank and UNDP, in developing a programmatic approach towards GEF funding for climate change activities has significantly enhanced such activities in that country.

ENABLING ACTIVITIES

96. While these activities have been very useful, the complexity and novelty of many climate change interventions caused some difficulties. The projects were more focused

on the UNFCCC obligations and less on a critical assessment of national needs and priorities. They also tended to raise unrealistic expectations, particularly in regard to capacity-building aspirations. Too often, climate change concerns have not been integrated into national development policies and the project pipeline development, but such integration is time-consuming and demands skills and expertise beyond what has been provided in enabling activities projects. The OPS2 team finds that benefits from enabling activities projects are useful and provide opportunities for a good first-stage involvement by the GEF in the complex subject matter of climate change.

LESSONS LEARNED

97. Much can be learned from projects that do not succeed. For example, the Inner Mongolian part of a wind power project suffered a major setback when a neighboring utility proved unwilling to sign a power purchase agreement, illustrating the need to incorporate explicit pricing policies and marketing agreements into the project framework to ensure the competitiveness of grid-connected renewable energy projects. Improperly structured power purchase agreements also caused problems in a mini-hydro project in Sri Lanka. Off-grid solar PV projects in Zimbabwe and Ghana achieved limited success for a variety of reasons, including insufficient attention to the sustainability of the financing scheme in Zimbabwe and to the policy and institutional framework in Ghana. Both projects illustrate the lesson that off-grid power projects must be integrated into a broader and well-conceived rural development strategy.

OVERALL CONCLUSIONS

98. Looking across the GEF climate change portfolio, OPS2 finds that the GEF has been most effective in promoting energy efficiency, and still has a large opportunity for further efforts in this area. The GEF has had more modest success in promoting grid-connected renewable energy. Since this is a sector in which large commercial entities are active, the GEF should select additional projects very carefully and should concentrate on creating enabling environments and reducing risk. The GEF has had the least success with off-grid, rural, renewable energy projects. Rural areas pose very difficult development challenges and face immense poverty problems. Hence the OPS2 team suggests that the GEF target the productive uses of energy in rural economies and encourage more innovative approaches in this field. Overall, the Team believes that the GEF would benefit from adopting a more focused program in the climate change focal area and concentrating its efforts where there is a strong continuing commitment to innovation and thus likely to have the greatest impact.

99. An important element of a more focused climate change program is the creation of enabling environments for market transformation. The OPS2 team believes that it is important to recognize and make better use of the differing capacities and special strengths of the different IAs and EAs in such activities. A second critical element is market transformation and other market-oriented interventions. In this area, the World Bank and the IFC have unique skills. Procedural issues that have contributed to under-utilization of the IFC, such as the long time delays in the GEF approval process and some hesitation to use intermediary financial entities, need to be resolved. The expansion of

the GEF to include the regional development banks would become valuable in this respect.

100. Ideally, all the differing skills of the IAs could be brought together in a coordinated and complementary fashion to catalyze significant change at the country level. Some dramatic changes in Hungary provide an example of how effective such coordination can be. In recent years, three projects have together influenced Hungary's approach to climate change issues. A UNEP global project prepared climate scenarios that significantly improved decisionmakers' understanding of climate issues and enhanced related legislative processes; an IFC project has catalyzed commercial bank lending for energy efficiency projects; and a UNDP capacity-building project is helping municipalities and other public-sector entities to increase their energy efficiency. These projects have been closely coordinated at the country level and have consequently reinforced each other, multiplying their impacts on public and private sectors. Unfortunately, such coordination is rare. While recognizing that circumstances will vary from one country to another, the OPS2 team commends the Hungary example to the GEF as a model for country-level coordination.

101. The OPS2 team finds that the existing GEF system is slow to recognize success, and thus slow to replicate and integrate positive lessons in planning for future projects. OPS1 highlighted the IFC-implemented innovative risk-reduction project in Hungary, as has OPS2, but widespread replication in other countries has been slow. An innovative project to increase awareness and capacity for energy efficiency changes in Bulgarian municipalities is apparently successful—as judged by the changes already being made by municipal leaders contacted during an OPS2 visit—but its apparent success is unknown to the GEF Secretariat. These circumstances and others like them discovered during the OPS2 argue for additional capacity within the Secretariat and for the inclusion of Secretariat staff in selective mid-term project reviews to enable the GEF Secretariat to play a more strategic role in portfolio management, as discussed in Chapter 7.

102. Finally, the Team believes that the GEF needs to seek higher leverage opportunities. The 5:1 or 6:1 ratio of co-financing claimed for the bulk of the climate change portfolio is not sufficient, given the size of GEF resources, to make a significant impact on emissions of greenhouse gases on a global scale. Leveraging additional (largely private sector) resources at much higher multiples, even 50 or 100 to one—either directly, or indirectly by influencing private capital flows—would make a significant difference. Higher rates of leverage may entail higher risks or at least new forms of risk and new modalities of engagement, including risk guarantees and equity participation. The OPS2 team believes that the GEF should accept these risks as the price of fulfilling its mandate to foster experimentation and as the best hope of creating global environmental benefits on climate.

E. BIODIVERSITY: IMPACTS AND RESULTS

103. The GEF is the single largest source of funding for global biodiversity conservation. Under the guidance of the CBD, and in partnership with governments, institutions, NGOs, and communities, it has invested approximately \$1.2 billion over the

past 9 years to meet the incremental costs for the conservation and sustainable use of biological diversity in 123 developing countries and economies in transition. It expects to leverage over \$2 billion in co-financing.

104. The biodiversity focal area activities include 395 full and medium-sized projects and enabling activities, as of June 30, 2000. These projects (other than the enabling activities) have been categorized under a number of operational programs that reflect different ecosystem types:

- Arid and semi-arid ecosystems (OP1)
- Coastal, marine, and freshwater ecosystems (OP2)
- Forest ecosystems (OP3)
- Mountain ecosystems (OP4)
- Integrated ecosystem management (OP12)
- Conservation and Sustainable Use of Biological Diversity Important to Agriculture (OP13)

105. According to the 2000 Program Status Review, the geographic distribution of projects shows Africa with 132 projects for a total budget of \$299.81 million, Latin America and the Caribbean with 101 projects for a budget of \$403.07 million, and Asia and the Pacific with 81 projects for a total of \$284.10 million.

106. The GEF biodiversity program draws its mandate from the CBD and seeks to reflect the guidance from the COP/CBD through its program objectives, its priorities, and its functional modalities. The enabling activities have supported governments to meet their obligations to the CBD. The GEF biodiversity projects have sought to target globally important ecosystems, species, and genetic resources, while also deriving complementary sustainable development benefits.

107. The OPS2 team finds that the GEF biodiversity program has made significant advances in demonstrating community-based conservation within protected areas and, to a lesser extent, in production landscapes. While it is still premature to estimate the precise impact that the program has had on the status of global biodiversity, GEF's program has resulted in building institutional and individual capacity in biodiversity conservation, developing new conservation approaches, forging effective partnerships, strengthening legal frameworks, influencing policy, and creating awareness on the importance of conserving biodiversity within the context of sustainable national development. In reviewing the results and impacts from the biodiversity focal area, the OPS2 team noted the findings and conclusions of the Biodiversity Program Study (2001). The Team independently verified some of the outputs and results through its in-country consultations and project site visits to 15 countries, and it specifically notes the following key positive impacts from the biodiversity portfolio.

GLOBAL COVERAGE

108. The Biodiversity Program Study examined the global coverage of projects in the biodiversity portfolio and reported that the GEF had, through its choice of projects,

covered many of the globally important sites such as those listed under the World Heritage Program, WWF's Global 200 Earth's Distinctive Ecoregions, the Ramsar Convention on Wetlands of International Importance, UNESCO's Man and the Biosphere Program, as well as globally important species listed under various conventions and named on the IUCN lists of threatened and endangered species. In FY2000, the distribution of projects between ecosystems/habitats was arid and semi-arid ecosystems (27 projects); coastal, marine, and freshwater (59 projects); forest ecosystems (81 projects); and mountain ecosystems (14 projects). The GEF is developing the capacity to have impacts on a broadly representative base of globally important ecosystems. The OPS2 team notes that there is no guidance from the biodiversity convention on what an optimal distribution of projects should be for a balanced portfolio. Moreover, the distribution of projects among these globally important sites does not necessarily reflect the true extent of "coverage" of these sites relative to the conservation of biodiversity that is actually being achieved.

CONSERVATION OF PROTECTED AREAS

109. The GEF has steadily improved the standards of management of protected areas through participatory approaches. As part of the Biodiversity Program Study, a special assessment of 49 projects that are protecting biodiversity in 320 protected areas covering a total of 60 million hectares found that more than 50 percent have fully or mostly met their objectives. More than 50 percent have also achieved some benefit sharing and put in place measures for ensuring sustainability. While at least half of the projects had reasonable stakeholder participation, only a fifth could claim to have achieved "ownership" by stakeholders. In its country visits, the OPS2 team observed a number of successful protected area projects involving conservation of biodiversity of global significance. The Uganda *Bwindi Impenetrable National Park and Mgahinga Gorilla National Park Conservation* project, for instance, covers 766 square kilometers and protects the highest diversity of primates in Africa (13 species), in addition to other endemic species of plants, animals, and birds. The South Africa *Cape Peninsula Biodiversity Conservation* project protects one of the world's six plant kingdoms (Cape Floral Kingdom), and associated terrestrial and marine biodiversity. The China *Nature Reserves Management* project network covers 625,000 hectares and protects rich biodiversity including the habitat of the giant panda. Under the Nepal *Biodiversity Conservation* project, GEF helped to establish the Makalu Barun National Park covering 2330 square kilometers in northeast Nepal. A strongly participatory planning and management approach was used (see Box 3.7).

Box 3.7 COMMUNITY-BASED CONSERVATION IN NEPAL

The Makalu Barun National Park and Conservation Area (MBNP/CA) in northeast Nepal is a successful example of community-based conservation management financed by the GEF. Covering 2,330 square kilometers, the park is recognized as a global “hotspot” of Eastern Himalayan biodiversity. At present, communities manage over 10,000 hectares of forest area in the park and buffer zone.

At project completion in July 1999, a new model for participatory national park management had been developed. Project sustainability has been ensured with ongoing government financial and technical support, continued use of community facilitation and joint management techniques, and active community management of forests and grazing areas.

Other project achievements include local trails and bridges that encourage tourism—a key incentive for the ongoing participation of local communities. Alternative fuel sources such as kerosene are now used, reducing dependency on fuel wood. Local management organizations have been established, such as those for lodge owners and porters and committees to manage threatened, biodiversity-rich habitats. Conservation education materials in Nepali have been used in non-formal education classes and by trained local teachers.

Several lessons learned from this GEF Pilot Phase project were conveyed to the OPS2 team by the project staff:

- Sustainability is not possible unless host governments commit their own staff resources before the start of the project.
- To monitor impacts effectively, projects need to allocate sufficient funds for baseline data collection right at the beginning.
- High-level project steering committees have difficulty providing technical inputs because the people involved have many other commitments.
- In the interests of cost-effective project management, it is important to develop more streamlined service delivery procedures than are normally used by IAs.

CONSERVATION IN PRODUCTION LANDSCAPES

110. GEF projects are increasingly moving beyond the narrow scope of protected area conservation to strategies that conserve biodiversity within the broader production landscape. Of a selection of 20 projects that conserve biodiversity in production landscapes, the Biodiversity Program Study found that about half were assessed to have achieved most of their objectives while the remainder had partly achieved them. OPS2 country visits identified some positive examples of biodiversity conservation outside protected areas and within the larger productive landscape. For instance, the small grants program in Brazil provides important instances of conservation of agricultural and forest biodiversity (see Box 3.8). Science-based tools and techniques have been tested in tackling special problems affecting ecosystem productivity. For instance, a number of GEF projects have included mitigation measures against the threat of invasive alien species that adversely affect indigenous biodiversity and economic activities. The East Africa *Lake Victoria Environmental Management Project*¹⁴ has brought under control the water hyacinth that was threatening Lake Victoria’s fisheries, navigation, power generation, and water quality. The use of water hyacinth weevils has reduced the weed

¹⁴ The East Africa *Lake Victoria Environmental Management Project* comes under the international waters focal area, but includes important biodiversity activities.

Box 3.8 CONSERVING BIODIVERSITY IN PRODUCTION LANDSCAPES IN BRAZIL

One example of the projects targeted at production landscapes is the small grants program focused on Brazil's "cerrado," the second largest biome in the country covering 2 million square miles in 14 states. This extensive area harbors a rich ecosystem that is being rapidly degraded. Other sources of conservation funding have apparently neglected to support biodiversity conservation in the cerrado. In the first five years of the program, 39 projects were funded with a total of \$900,000. Projects included extraction and commercial processing of medicinal plants, flowers, and native fruits; conservation of soil and headwaters of a river; actions to control the use of fire in the ecosystem; promotion of solar energy; income generation from ecotourism; and generation of sustainable livelihoods from beekeeping and other rural technologies. These projects have combined the conservation of the globally significant cerrado ecosystem with enhancement of the quality of life of affected communities. Further, the OPS2 team was informed that the program has influenced public policies at the local and state levels, and some of the projects are being promoted as successful, replicable models.

population by 70 percent—resulting in increased populations of many fish species, better access to fishing areas, and improved navigation and power generation.

SUSTAINABLE USE OF BIODIVERSITY

111. The GEF has developed a number of effective projects both within protected areas and production landscapes that demonstrate the sustainable use of biodiversity (the second major objective of the Convention on Biological Diversity). While most of these are currently under small-scale implementation, they provide models for upscaling and/or wider application. These include both consumptive uses of biodiversity (*Kibale Forest Wild Coffee Project*, Uganda) as well as non-consumptive uses such as ecotourism (*South Pacific Biodiversity Conservation Program*). The Lake Victoria project in East Africa is promoting aquaculture in threatened fish species, which relieves pressure on the wild populations of these species in Lake Victoria, satellite lakes, and associated rivers.

BENEFIT SHARING

112. The program study found that, of the projects examined, more than half demonstrated efforts toward achieving benefit sharing. The OPS2 team visited a number of projects where benefits accruing at local and community levels provide good incentives for conservation and sustainable use by the very people who live with, own, and depend on biodiversity. Examples of projects that demonstrate local benefit sharing include the GEF-supported Mgahinga Bwindi Trust that has helped communities through alternative livelihood schemes and a variety of social benefits, including schools and health clinics (see Box 3.9). GEF projects have also enhanced ecotourism in protected areas, resulting in sustainable development benefits. For instance, the Jordan *Conservation of Dana and Azraq Protected Areas* project has increased the annual number of visitors from about 4,000 in 1993 to 35,000 in 1999. Ecotourism development earnings have increased from \$6,760 in 1994 to \$18,000 in 1997 (covering about 70 percent of the reserve's operating costs), and to an estimated \$330,000 in 2000. In total, the project counts an estimated 3,430 direct and indirect beneficiaries. Since the project entered its second phase, there has been a one-third increase in funds going directly to the local community. The higher ecotourism income and environmental concerns influenced the Ministry of Mining and Mineral Resources to halt copper mining in the Dana

Box 3.9 MGAGINGA BWINDI IMPENETRABLE FOREST CONSERVATION TRUST (MBIFCT)

The MBIFCT is a GEF-funded biodiversity trust fund that supports biodiversity conservation in the 331 square kilometers of the Bwindi Impenetrable National Park and 48 square kilometers of Mgahinga Gorilla National Park.

The Trust capital has been invested to provide a flow of recurrent funds that support park management and help local communities develop alternative economic activities to replace those that traditionally rely on harvesting forest resources. In this way, the Trust has helped halt habitat degradation and protect the threatened biodiversity of two of Africa's richest protected areas—home to at least 120 species, including 10 primates and endemic species of the Afro-montane and Afro-alpine ecosystems.

Census data collected by the Uganda Wildlife Authority shows that the populations of threatened big game and the mountain gorillas are increasing slowly. Through Trust support, both applied ecological and conservation research have provided new and important data for the management, monitoring, and evaluation of the parks' biodiversity.

Local people living around the national parks have developed alternative livelihoods with support from the Trust, including tree nurseries, beekeeping, water catchment protection, water harvesting from roofs, and aquaculture. In addition, the Trust has contributed to construction of 18 schools and 11 clinics. The community argued rationally that schools were necessary to provide education for their children so that they can get jobs in Kampala and elsewhere and become less dependent on the national parks for their livelihoods than their parents. Similarly, they argued that the clinics would treat ailments that were previously treated with herbal medicines harvested from the parklands, which people are now restricted from entering to harvest the medicinal plants. Today, the schools and clinics serve about 75 percent of the 300,000 people in the project area.

The positive response of the Trust to the livelihood needs of the local people of Mgahinga and Bwindi National Parks have contributed to changing local attitudes about conservation of the national parks and their biodiversity. People have developed a sense of ownership, and local communities have become proud of "their" gorillas. They now report poachers to park authorities, which was not the case before. The success of this Trust has led to replication of biodiversity trust funds elsewhere, such as Malawi (i.e., the Mulanje Mountain Conservation Trust). The Trust has attracted donor, NGO, and private funding to advance the conservation, sustainable use, and benefit sharing of the biological resources of Mgahinga and Bwindi National Parks.

Reserve. However, in the view of the OPS2 team, the GEF portfolio could considerably extend its work on benefit sharing as defined by the CBD. For instance, there have been few projects that demonstrate revenue sharing, of royalties, fees, etc., from the exploitation of indigenous knowledge of biological resources. An assessment also is needed of the sustainability of the benefit-sharing initiatives that have been established over the years.

IMPROVING THE ENABLING ENVIRONMENT

113. An important indicator of the larger impact of GEF projects is the influence that they exert on new policies, regulations, and laws promoting a favorable enabling environment for biodiversity conservation. The OPS2 team observed many instances of policy changes, new policy formulation, new legislation, and new regulations that followed from GEF-supported initiatives. These changes have occurred at the local, national, and international levels. For instance, the Jordan Dana and Azraq project and the Country Study on Biological Diversity, together with the GEF climate change initiatives positively influenced the decision to create a new Ministry of Environment. The South Africa *Cape Peninsula Biodiversity Conservation* project led to the designation of the Cape Peninsula National Park as a World Heritage Site.

Box 3.10 CAPACITY-BUILDING THROUGH NETWORKING

The SABONET project aims to build capacity and a formal network for the inventory, evaluation, and monitoring of botanical diversity of 10 Southern African countries—Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, South Africa, Zambia, and Zimbabwe. By developing critical skills in taxonomy and improving institutional capacity, the project has helped the participating botanical institutions meet important human resource needs. A total of 17 short courses have trained 192 technicians and professional botanists in various herbarium and botanic garden-related skills (e.g., field collection techniques, herbarium management, identification and classification, biology and taxonomy of special plant groups (ferns and grasses), database management, preparation of Red Data Lists, etc.). These courses have so far been held in seven participating countries, using botanical experts from the subregion. At undergraduate and postgraduate levels, SABONET has supported the training of 29 staff from participating institutions in plant taxonomy/biodiversity and horticulture architecture (14 MScs and 13 BSc Hons in plant taxonomy, one BTech in horticulture architecture, and one BTech in Nature Conservation). In addition, SABONET has strengthened the botanical infrastructure of the respective national herbaria and botanic gardens through the provision of vehicles and field equipment for enhancing botanical work; computer hardware and software and internet connections to facilitate networking; specimen freezers; basic laboratory equipment; and some essential literature. The improvement of herbaria is being complemented with similar development of botanic gardens for the ex-situ conservation of threatened plant species. SABONET has already completed a botanic gardens needs assessment, and a botanic gardens network will strengthen the work of Southern Africa's botanic gardens. SABONET supported the development of human and institutional capacity to document, evaluate, and monitor plant diversity conservation and sustainable use through ethno-botanical research, i.e., identify uses of medicinal plants and threats to them; develop Red Data Lists, etc. The developed capacity is used also to create plant databases in the 10 participating national herbaria, and approximately 160,000 specimens in the region's herbaria have been computerized as a direct intervention of SABONET. Some of the plant information has been used to publish valuable books on the taxonomy and diversity of Southern Africa's plants.

SABONET has also strengthened regional cooperation and networking. Joint plant exploration expeditions within the project area, i.e., to Nyika Plateau (Malawi), have been undertaken, during which young botanists are mentored in field botanical skills. Such botanical expeditions have attracted Northern botanists, thus furthering North-South cooperation. The SABONET activities are disseminated widely within and outside the region through newsletters and other botanical literature. In fact, SABONET has become a virtual campus where over 100 active botanists are engaged in implementing SABONET's goals. The project has attracted co-funding from USAID and participating governments. The success of the SABONET model is now being replicated in East Africa (BOZONET) and the Caribbean (CARIBNET). It has also been catalytic to the formation of the Italian-funded SECOSUD project that focuses on GIS databases in herbaria.

CAPACITY BUILDING

114. The GEF includes capacity building measures as an integral part of all GEF-financed biodiversity projects. The OPS2 findings highlight capacity development elements as among the most successful components of GEF's biodiversity projects. Under the Nepal *Biodiversity Conservation* project, the King Mahendra Trust for Nature Conservation, a prominent Nepali NGO, has developed effective training facilities near the Royal Chitwan National Park that is used to train Park officials, Department of National Parks and Wildlife Conservation staff, local community leaders, research students, and park visitors. The *Inventory, Evaluation, and Monitoring of Botanical Diversity in Southern Africa: A Regional Capacity and Institution Building Network* (SABONET) project has trained technical and professional botanists in plant taxonomy to meet the floral diversity management needs of the 10 participating countries (see Box 3.10).

SCIENTIFIC RESEARCH INPUTS

115. Several GEF projects have incorporated research components to find solutions to problems of biodiversity conservation and sustainable use, which have generated valuable information for making sound conservation management decisions. The Lake Victoria project has generated important research data for the conservation and sustainable use of Lake Victoria's fish and other biological resources. Within the *People, Land Management, and Environmental Change* (PLEC) project, the Amazon cluster's research and extension strategy effectively demonstrates the alliance of traditional ecological knowledge with modern scientific knowledge and management systems to achieve sustainability of biodiversity conservation within a production landscape (see Box 3.11).

Box 3.11 LEARNING FROM THE PRACTICES OF SMALL FARMERS IN THE AMAZON

The *People, Land Management, and Environmental Change* (PLEC) project is a multicountry program of studies on small farmers' practices in the area of biodiversity conservation and livelihoods. The Amazon "cluster" researchers work with farmers at five sites on the Amazon floodplain ranging from Maçapa on the Amazon estuary to Iquitos in the upper Amazon of Peru. While the agricultural potential of the Amazon floodplain, or *varzea*, is widely recognized, the risks of floodplain farming have led policymakers and agricultural research institutions to ignore it. However, traditional farmers have developed sophisticated management systems that address many of the challenges of farming the floodplain and take advantage of its productive potential. PLEC researchers are working with these farmers to harness their knowledge in developing agricultural systems that conserve biodiversity while also improving agricultural performance.

The Amazon cluster's research and extension strategy is based on the concept of expert farmers, the especially gifted local farmers who have developed repertoires of crop varieties, techniques, and management systems that enable them to overcome local problems and achieve exceptional yields while conserving local biodiversity. Cluster researchers work with these farmers to develop on-farm demonstration projects through which other farmers can learn the techniques involved in these management systems. Through this process of farmers teaching farmers, experts share with others the techniques and management philosophies that they have developed.

The project has achieved a number of important successes. A system for controlling the spread of Moko disease by growing bananas in secondary growth has caused the resurgence of banana production in a region where it had been abandoned. Another system involving management of secondary vegetation for palm heart and fruit and timber is one of the few successful smallholder timber management systems documented in the Amazon. Information about these systems is now being disseminated throughout the region.

SHORT-TERM EMERGENCY RESPONSE MEASURES

116. In a few instances, the GEF has responded to emergencies where natural and man-made disasters have threatened the global environment. The GEF has mobilized emergency funding from both internal and external sources. GEF was also able to mobilize scientific expertise and international cooperation to assist countries in their responses to emergencies and in building human and institutional capacities. In Mauritania, following the massive deaths of the threatened monk seals in 1997, the GEF emergency funding (for the *Rescue Plan for the Cap Blanc Colony of the Mediterranean*

Monk Seal project) through UNEP led to international action that saved the species, established husbandry and release facilities, developed the monk seal monitoring program, and produced the Mauritania Monk Seal Strategy. However, the evaluation of the emergency response to the Indonesian forest fires in 1998 points out that the GEF-supported action could not provide timely or well-targeted responses for controlling the fires. And, in 1995, the GEF's attempts to respond to an emergency that arose from the refugee-driven biodiversity crisis in the Democratic Republic of Congo could not be successfully sustained. Despite some shortfalls, these innovative emergency response measures have the potential to respond to global environmental disasters. GEF should be encouraged to explore setting up a separate "funding window" for emergency response measures under the biodiversity focal area, with clear guidelines to ensure urgent approvals, disbursement of funds, and rapid action.

STAKEHOLDER PARTICIPATION

117. The OPS2 team observed that many projects involved the participation of a broad range of stakeholders during the planning and execution phases of projects, including government, local residents and communities, academics, NGOs, and the private sector. For example, the East Africa cross-border biodiversity project features active community participation and ownership in forest management plans, led by voluntary and inclusive Environmental Planning Committees that are empowered to be agents of change in each community. With this local assistance, the project is successfully integrating biodiversity conservation, management of land degradation, and poverty alleviation. In Samoa, traditional decisionmaking structures at the community and local levels have enabled the effective participation of key stakeholders in the South Pacific *Biodiversity Conservation* project and Samoa *Marine Biodiversity Protection and Management* project.

118. GEF biodiversity projects have created increased conservation awareness and understanding among various stakeholders including local communities, NGOs, decisionmakers and the political leadership. The OPS2 team noted a number of projects that disseminated information through outreach efforts, including interpretation centers, newsletters, signage, and mass media (cross-border biodiversity and Kibale Forest projects). The Argentina *Patagonian Coastal Zone Management Plan* project carried out successful public awareness campaigns that included short video clips and documentaries on national TV. The implementing NGO, Fundacion Patagonia Naturale, hosted a TV spot for 2 years with financial contributions from local retailers who paid for TV and radio air time. In East Africa, in the Lake Victoria environmental management area, the project awareness by local people is so high, even young students know the function of the *dudus* (water hyacinth weevils). In the East Africa cross-border biodiversity project, key awareness messages communicated to the Minziro forest community have led to sustained action. The project connects three villages with more than 1,800 households and 8,400 people who are promoting reforestation (10 trees per household target) to address "supply side" issues. The establishment of nurseries (planted trees and growing saplings evident), reduction in burning (grass is a valuable mulch), and construction of improved wood stoves to reduce unsustainable energy demand are rapidly expanding.

F. BIODIVERSITY: POLICY AND PROGRAM ISSUES

119. While the GEF biodiversity program has achieved a number of impressive results in the conservation and sustainable use of biological diversity and in benefit sharing, as documented above, the OPS2 team identified opportunities for the GEF to become more strategic, better targeted, more participatory, and more cost effective, thereby improving its impact on the status of globally significant biodiversity.

MEASURING IMPACT ON STATUS OF BIODIVERSITY

120. For a large proportion of GEF biodiversity projects, it is difficult, if not impossible, to determine their impact on the status of the biodiversity they were intended to conserve. This is partly because a majority of the projects had not gathered baseline status information against which progress could be measured. In many cases, scientifically valid indicators of impact had not been formulated and therefore could not be monitored. Furthermore, measurement of biodiversity impact will usually require a long time period. The record of accomplishment is therefore apparent mainly through various output and process indicators. This is not to discount the value of process indicators but to reiterate that such monitoring and evaluation is incomplete and limited. This situation is now being rectified by GEF Secretariat initiatives and by biodiversity assessment projects supported by the GEF such as the *Millennium Ecosystem Assessment* project. A review of a group of newer forestry projects reveals that almost all of them have carried out, or propose to carry out, biological and socio-economic baseline studies.

LESSONS LEARNED

121. While GEF biodiversity projects have often achieved encouraging results, the majority of GEF biodiversity projects have not been as successful as they might have been in fulfilling their stated overall objectives. There are several reasons for this, including:

- Basic implementation capacity not being in place prior to projects being launched
- Inadequate stakeholder participation and ownership in project design and implementation
- Funding patterns that are incompatible with the absorptive capacity of the target project areas and implementation structures
- Rigid project management structures that do not allow for flexibility in project implementation
- Unrealistic and overly ambitious objectives, including lack of time and lack of money to fully achieve the intended changes
- Weak linkages with other sectors of the economy that influence project success (cross-sectoral impacts)

- Failure to address the root causes of biodiversity loss.

122. The executing agencies and IAs could address these issues through sustained attention to effective project design and supervision. OPS2 country visits revealed instances where IAs lacked the capacity to track project progress and take timely action when necessary. In some cases, “shuttle management” from headquarters resulted in inadequate in-country capacity for tracking project progress, remaining engaged with governments and in-country project teams, providing technical support, and addressing early warning signals. The OPS2 team received indications from senior IA representatives that the fees being paid to IAs were inadequate to cover the costs of closer project supervision. In view of the rapidly expanding biodiversity portfolio and the increasingly complex strategic approaches being adopted by the GEF, steps should be taken to ensure that IAs and executing agencies receive adequate resources to fully support project design and supervision capacity.

ROOT CAUSES OF BIODIVERSITY LOSS

123. The GEF Operational Strategy states that GEF projects should address the underlying root causes of global environmental deterioration, such as inappropriate economic and social policies, inadequate legal frameworks, institutional weaknesses, and information barriers. A considerable amount of discussion within GEF on this subject has centered on what among the root causes is within the capacity and mandate of the GEF to address. The OPS2 team met stakeholders at the country level who emphasized that root causes of biodiversity loss are best addressed when GEF’s conservation objectives are grounded more strongly in the sustainable development context. Here the operational experiences of UNDP and the World Bank are of key importance, and so are their country dialogues on sustainable development. One implication of this guideline is that GEF must give stronger emphasis to initiatives that promote sustainable use and benefit sharing of biodiversity products and services. As pointed out earlier, most of the current initiatives in this regard remain at a small scale, with limited impact and uncertain long-term sustainability.

PROGRAMMATIC APPROACH

124. GEF proposes to move beyond the current projects-based emphasis to a more strategic approach that systematically targets countries’ enabling environments to position them to address biodiversity conservation programmatically and mainstream it in the wider development context. OPS2 supports this approach but recognizes that it implies a much broader interface with national governments. The capacity of governments and other in-country stakeholders to engage with the GEF at this broad, cross-sectoral level will need to be enhanced if the process is to remain country-driven. As part of a learning phase, GEF has begun testing a strategic programmatic approach to biodiversity conservation in a few countries.

ENABLING ACTIVITIES

125. The GEF has followed Convention guidance in implementing support for enabling activities that assist countries to develop their communications to the Convention, including the national biodiversity strategies and action plans (NBSAPs). As of June 30, 2000, the GEF had supported 185 enabling activities and clearinghouse mechanisms in the biodiversity focal area with a total allocation of \$46.62 million. However, it is not clear whether the NBSAPs, often developed with wide participatory effort (within countries), and at significant cost to GEF, are playing any role in country processes for identifying priority projects for GEF support and integrating global biodiversity conservation priorities into national plans, policies, and legal frameworks. Further, OPS2 country visits revealed that the capacity built within countries in the course of preparing NBSAPs tends to be dissipated in the absence of timely follow-up. The GEF Secretariat and the implementing agencies need to take responsibility in catalyzing action to ensure that NBSAPs effectively serve as documents for integrated biodiversity conservation and sustainable development planning.

OVERALL CONCLUSIONS

126. The GEF biodiversity portfolio has grown from 56 projects and about \$334 million in FY94 to 395 projects and over \$1.18 billion by FY 2000. The 2000 Program Status Review demonstrates that of the total expected co-financing of about \$2.01 billion committed, more than 50 percent comes from counterpart contributions by governments, 25 percent from bilateral and multilateral agencies, and 15 percent from the implementing agencies own funds, with a remaining 8 percent from NGOs and the private sector. These estimates of co-financing committed are credible both in terms of the total amount and the spread among the various stakeholders, although no rigorous review has been conducted of the amount of the committed co-financing actually realized. The one clear conclusion that is discussed elsewhere in this report, and reiterated here, is that the potential for drawing on private sector support for biodiversity conservation initiatives remains largely untapped.

127. There is little doubt that global environmental trends related to the conservation and sustainable use of biodiversity continue in a downward trajectory. The GEF, acting under the mandate and guidance of the CBD, has not yet been able to reverse this trend. But more precise assessments about the impacts of efforts and initiatives (GEF-supported, multilateral/bilateral aid agency-supported, and country efforts) over the last decade will be clear only after the results and outputs of ongoing scientific assessments (such as the *Millennium Ecosystem Assessment*) start to emerge and a total picture can be pieced together. However, the OPS2 team concludes that the GEF has laid the foundation for a concerted, science-based effort to stem biodiversity loss. Marked advances have been made in building national, regional, and global partnerships; creating the information base; and developing the tools, methodologies, and human and institutional capacities to address the unsustainable exploitation of biodiversity. The consideration of livelihood alternatives in biodiversity projects is crucial for long-term biodiversity conservation at local levels and should be emphasized in all GEF projects.

128. OPS2 believes that the GEF can continue to improve the efficiency with which its biodiversity projects deliver global conservation benefits. The key is increasing its emphasis on incorporating lessons learned in the field into the design and implementation of new projects, together with improved monitoring and evaluation processes. However, for the GEF to build on project-level technical achievements and undertake a concerted drive to address the broader root causes of biodiversity loss, it will require substantial support from the Convention on Biological Diversity, the implementing agencies, and its member countries. For instance, GEF's effort to secure broader gains in global environmental benefits by applying more strategic programmatic approaches at national, regional, and global levels will not succeed without the full support of the COP/CBD at one level and the individual country governments at another. The COP/CBD could, through its consultative processes, emphasize to its member countries the imperative for much stronger national political commitment for biodiversity conservation. With technical support from the GEF (the GEF Secretariat and implementing agencies), countries could strengthen their focus on improving the enabling environment for biodiversity conservation. Equally, the COP/CBD could, in formulating its guidance to GEF, fully consider the strategic approaches to biodiversity conservation currently being planned that move beyond the narrow focus on grant-based project funding.

G. INTERNATIONAL WATERS: IMPACT AND RESULTS

129. The GEF portfolio in the international waters focal area comprises an investment of \$329 million over the last 9 years. The OPS2 findings are that GEF projects have made, and continue to make, significant contributions to the global health of international waters. Its projects primarily support the implementation of existing global and regional agreements that address the protection and restoration of freshwater and marine ecosystems. The OPS2 team views project performance in the GEF international waters portfolio as generally successful. While the GEF does not serve as financial mechanism for a global convention on international waters, its operational policies support many different conventions, protocols, and agreements related to international waters, including multicountry commissions (see Table 3.1).

TABLE 3.1 COMPLETED WATERS PROJECTS AND THEIR CONTRIBUTION TO GLOBAL AND REGIONAL ENVIRONMENTAL AGREEMENTS

Region	IA	Project	OP	Regional/Global Agreement
EAP	World Bank	China Ship Waste Disposal	9	MARPOL
Global	World Bank	Water for Nature (MSP)		
MNA	World Bank	Gulf of Aqaba Environmental Action	8	GPA, CBD - Jakarta Mandate
ECA	UNDP	Danube River Basin Environmental Management	8	GPA, Danube Conv, CBD, Ramsar
AFR	UNDP	Industrial Water Pollution in the Gulf of Guinea Large Marine Ecosystem	9	Str.Stocks, CBD, GPA, Abidjan
AFR	UNDP	Pollution Control and Other Measures to Protect Biodiversity in Lake Tanganyika	9	CBD, CCD, CWI
Regional	UNDP	Regional Oceans Training Program		
ECA	UNDP	Black Sea Environmental Management	8	GPA, Black Sea Conv. Ramsar, CBD
ECA	UNDP	Developing the Danube River Basin Pollution Reduction Program	8	GPA, Danube Conv, CBD, Ramsar
ECA	UNDP	Developing the Implementation of the Black Sea Strategic Action Plan	8	GPA, Black Sea Conv. Ramsar, CBD
LAC	UNDP	Planning and Management of Heavily Contaminated Bays and Coastal Areas	10	GPA
LAC	UNEP	Argentina-Bolivia: Strategic Action Program for the Binational Basin of the Bermejo River	9	CCD, CWI, CBD
ECA	World Bank	Oil Pollution Management for the Southwest Mediterranean Sea		MARPOL
LAC	World Bank	Wider Caribbean Initiative for Ship-Generated Waste	9	MARPOL
MNA	UNDP	Protection of Marine Ecosystems of the Red Sea Coast	8	CBD, Jeddah Conv.

130. Furthermore, actions under GEF projects have facilitated agreement on new conventions (e.g., the new Black Sea Convention and the Convention for the Protection of the Caspian Sea), endorsement of regional agreements (e.g., the Central-West Pacific Tuna Agreement), adoption of legislation (e.g., as in the *Integrated Watershed Management Program for the Pantanal and Upper Paraguay River Basin* project), and acceptance of best practices. In the absence of regional agreements or water-body-related treaties, these projects tend to strengthen the role of multicountry commissions, such as with the Binational Commission (Bolivia and Argentina) of the Bermejo River produced by the *Strategic Action Program for the Binational Basin of the Bermejo River* project.

131. In analyzing impacts from the perspective of performance indicators—process, stress reduction, and environmental status indicators—most of the impacts so far are related to processes. Some impacts have been identified at the level of stress reduction (*Building Partnerships for the Environmental Protection and Management of the East Asian Seas* project.) As a result of follow-up of the GEF project, in the city of Xiamen, China, actions have been taken to stabilize water pollution levels in the port (see Box 3.12). More modest improvements can be detected among the environmental status indicators for ecosystem quality of the Danube and Black Sea water systems.

Box 3.12 SHIP WASTE DISPOSAL AND INTEGRATED COASTAL-ZONE MANAGEMENT (ICM) IN XIAMEN

Xiamen, one of the major sea ports in China, has substantial shipping, commerce, communication, and tourism industries and has attracted considerable foreign investments. Rapid economic growth (more than 20 percent annually since 1994) has been accompanied by similar population growth, largely through labor migration from other parts of China. Concerns about avoiding environmental degradation were noted in the early 1990s. More recently, Xiamen has been designated a “model environmental city” by the government.

Xiamen was among six sites included under the 1992 GEF-World Bank *China Ship Waste Disposal* project carried out through the International Maritime Organization. The main objectives were to reduce marine pollution in China and adjacent international waters through treatment facilities, a waste tracking system, an environmental monitoring system, and development of an oil spill response capacity. At its completion in 1997, the project was considered successful in meeting most of these objectives. The project has had lasting results. The Port Authority of Xiamen took responsibility for continuing many project activities, including ship waste tracking and environmental monitoring.

Xiamen was also included under the 1997 GEF-UNDP-IMO Regional Program for the Prevention and Management of Marine Pollution in the East Asian Seas. The program’s primary objective was to test the usefulness of ICM as a management tool for addressing complex coastal management problems. The main training focus for the three main demonstration sites (Hailing, Fenhenggang, and Qinglan) was provided by the Third Institute of Oceanography in Xiamen. Operational linkages were established to the IMO Regional Program.

The city authorities in Xiamen have been motivated to enact strict local marine regulations for sea area use, establish enforcement capacity, set up a scientific support mechanism, and fund broad-based public awareness campaigns. The Marine Management Coordination Committee, chaired by the Deputy Mayor, brings together urban development and environment agencies, including those responsible for construction, transport, fisheries, land management, tourism, and environmental protection. ICM has become a significant management tool for urban economic regulations, water pollution, and ecological conservation. The ICM includes specific measures to protect the habitats of the rare Chinese white dolphin, the local egret, and the sea-bed lancelet. The ICM experiences are being shared with urban and environmental authorities in other countries in the region, as well as with the new GEF-UNEP project, *Reversing Degradation Trends in the South China Sea and the Gulf of Thailand*.

132. Examining the results of the international waters portfolio, one particular operational approach demonstrates considerable merits: A science-based Transboundary Diagnostic Analysis (TDA) is conducted at the preparatory stage, before a strategic action program (SAP) is elaborated. It has similarities to the process embedded in enabling activities in support of UNFCCC or CBD. Furthermore, the GEF is one of very few financial mechanisms available to support comprehensive analysis and integrated planning in multinational water bodies. The TDA-SAP process has provided a mechanism for the GEF to contribute substantially to the in-country strengthening of institutions and to promote strategic alliances among institutions in different countries, thus promoting the development of effective monitoring systems and improved management capacities.

133. GEF interventions have also provoked positive institutional reforms as early as the preparation stage. GEF projects have contributed to the formulation of new policies, laws, and regulations related to the international waters. Institutional strengthening at the national and regional level resulting partly or totally from GEF projects has proven extremely useful in situations requiring an immediate response, for example, counteracting disasters of natural or anthropogenic origin like the cyanide spill in the Danube River in 2000 (see Box 3.13).

Box 3.13 DANUBE RIVER BASIN POLLUTION REDUCTION PROGRAM

The project *Developing the Danube River Basin Pollution Reduction Program* represents the GEF's contribution to the second phase of the Environmental Program for the Danube River Basin (EPDRB), created in 1992. The project was a continuation of two previous GEF projects that assisted the EPDRB. All three projects helped the EPDRB to prepare Strategic Action Plans (SAP) and develop and improve the Danube Water Quality Model (DWQM). These initiatives also focused on creating public awareness, developing a knowledge base, promoting information exchange, and building understanding of transboundary water pollution and Black Sea marine ecosystem degradation. The project's overall long-term objective was to stimulate sustainable institutional and financial arrangements for effective environmental management of the Danube River Basin, including the establishment of the International Alarm Center for the Danube River.

During the OPS2 country visit to Romania, the team members noted that the Disaster Response Plan and International Alarm Center for the Danube River were successfully used to manage the 2000 cyanide spill in Danube River. This toxic spill was largely caused by a mining company with substantial foreign investments. The International Alarm Center for the Danube River was a key element in implementing the Disaster Response Plan. The Hungarian Operational Focal Point for GEF indicated to OPS2 team members that without this system in place, the disaster would have been catastrophic, and the response much slower. Also, the communication and coordination between agencies and countries would have been weak without the relations built through the GEF project.

134. GEF projects have helped increase knowledge and develop databases at the national and regional level. The TDA-SAP process has been instrumental in advancing local and regional knowledge related to various water systems.

135. GEF projects have successfully provided replicable examples, such as in the *Regional Program for the Prevention and Management of Marine Pollution in the East Asian Seas* project. Experiences emanating from this project have been reproduced in other coastal cities in China, as well as in various countries of the region. The OPS2 team also found that components of both the Bermejo River project and the Danube River project were being replicated in other locations.

136. International waters projects have been instrumental in generating economic benefits in various regions. The inseparable nature of economic and environmental values is demonstrated in the East Africa (Kenya, Tanzania, and Uganda) Lake Victoria project, where protection of the lake and its basin influences the livelihoods of some 25 million people. In Jordan, ecotourism development related to the Azraq project has increased annual visitors to the wetlands, with 75,000 visitors recorded in 2000. The local population has benefited from direct employment opportunities, the re-establishment of traditional craftmaking (such as producing handicrafts from reeds), and from an increase in tourism-related income. Elsewhere, in Patagonia, Argentina, a GEF-supported initiative within the Patagonian Coastal Zone Management Program for Biodiversity Conservation has resulted in sustainable ecotourism development in protected areas.

H. INTERNATIONAL WATERS: PROGRAM AND POLICY ISSUES

137. As described above, the OPS2 team finds that the GEF portfolio of projects in the international waters focal area has been generally successful, although the degree of achievement attained by individual operational programs varies. However, an examination of the role and definition of OP8 and OP9 seems timely given GEF's expanded mandate in addressing integrated ecosystem management (OP12) and conservation and sustainable use of biodiversity important to agriculture (OP13). Also, the introduction of a new focal area for land degradation will require a thorough assessment of strategic operational issues related to international waters in the operational programs. Furthermore, the classes of priority contaminants to be targeted in international waters projects should be reconsidered in light of ongoing discussions to create an operational program on persistent organic pollutants (POPs). Consequently, OP10 should be revisited to change the emphasis from ship-derived impacts on international waters to effects of land-based activities.

138. The TDA-SAP process is a valuable part of project preparation to build capacity, receive scientific and technical inputs, and encourage participation by the political authorities involved and other important institutional actors and stakeholders. In addition, it is recognized as an essential process for securing multicountry political agreement to focus on transboundary environmental priorities. As stated by the OPS1 team, "The centerpiece of the GEF strategy on International Waters is the concept of 'strategic joint fact finding' in the form of a transboundary diagnostic analysis (TDA), which is then used to set national priorities for actions to address threats to international waters in the form of a strategic action program (SAP)."¹⁵ The OPS2 team underscores this statement and recommends that the science-based TDA continue to be the basis for facilitating country agreements on SAPs which can mobilize multidonor support for remedying or preventing environmental threats to international waters.

139. In cases where the TDA-SAP process was not been adequately completed, problems have been experienced. In the Aral Sea project, for example, the SAP remains in draft form and a shared vision and political commitment to action among participants never materialized. As the surrounding countries' priorities shifted, they lost interest in the original project objectives, and multicountry arrangements related to water and environment began to lose political support. The project's implementation suffered accordingly.

140. Within the international waters portfolio, important global benefits may be gained by adopting approaches that focus on larger, interconnected environmental entities, as GEF advocates in its "wider" basin-approach interventions. The emerging integrated basin-wide approach seeks to establish linkages among all GEF projects that operate in the same hydrological system (defined as freshwater catchments draining into a single recipient body of water). Use of this programmatic approach helps to ensure and expand linkages among different focal areas of the GEF portfolio for a specific region.

¹⁵ *Study of GEF's Overall Performance I*. (Washington, DC: Global Environmental Facility, 1997): 84.

141. The OPS2 team also finds that the complex nature of international waters projects requires the GEF Secretariat to thoroughly assess a proposed executing agency's suitability to guarantee good project management during implementation and promote project sustainability after GEF project completion. Where capable regional organizations exist, the GEF should delegate the execution of elements of a specific project or the entire project. To further secure project success, high-risk initiatives, or projects with high-risk components, should generally undergo a mid-term evaluation.

142. GEF should also re-activate the interagency advisory task force to ensure coordination and effective development of the international waters focal area. The GEF Secretariat also should focus on expanding private sector and financing institutions' involvement in international waters projects, so that successful approaches can be replicated more effectively.

143. A final issue concerns the *Global International Waters Assessment (GIWA)* project. The key strategic importance of GIWA was its potential, in the absence of a global water convention, to provide an overall global framework to guide priorities for GEF-funded investments and support services. In view of the great expectations from this project and the implementation delays it is experiencing, the upcoming mid-term review should be seized as an opportunity to restructure the project to improve its performance.

I. LAND DEGRADATION: IMPACT AND RESULTS

144. Land degradation has been a cross-cutting issue for the GEF, not a separate focal area; components that address land degradation have been included in other focal area projects. Since 1991, the GEF has allocated about \$278 million to more than 100 projects with strong linkages to land degradation.

145. The recent GEF Land Degradation Linkage Study (March 2000) does not make any clear distinction between land degradation as an important development constraint and land degradation as a global environment issue. It recommends that the "GEF explore ways in which land degradation issues of global significance can be dealt with more directly and successfully." The OPS2 team notes that the GEF does not yet have an operational definition of the global environmental benefits of alleviating land degradation.

146. The OPS2 findings show some quantitative evidence of areas where land degradation has been prevented or reduced. These positive operational results in land degradation, based on field visits and consultation with land managers and other local project stakeholders, emphasize the importance of inclusive stakeholder participation, not only in project design and implementation, but in project evaluation.

147. While few projects have significantly alleviated land degradation, the OPS2 team found that many GEF projects did in fact address the causes of land degradation and build community capacity for sustainable management of land resources as part of

activities to achieve outcomes primarily related to biodiversity, climate change, and international waters.

148. In GEF projects, prevention and reduction of land degradation was most commonly achieved by:

- Arresting the loss of woody vegetation, deforestation, and unsustainable fuel wood use (for example, the Senegal *Sustainable and Participatory Energy Management* project)
- Managing over-harvesting of flora and fauna (for example, the East Africa cross-border biodiversity project)
- Reversing habitat conversion from cropping and pasture expansion and urban development (for example, the Romania *Danube Delta Biodiversity* project).

149. With the benefit of field visits and consultations with stakeholders in more than 10 international waters projects, the Team also found that:

- International waters projects have effectively linked components addressing land degradation into both TDA-SAP and project implementation activities (for example, the East Africa *Lake Victoria Environmental Management Program* project). The TDA-SAP tools appear to be especially effective for developing enabling policy environments to combat land degradation.
- Some land degradation management activities have led to global benefits linked with the Global Program of Action for the Protection of the Marine Environment from Land-Based Activities (GPA) (for example, the Eastern Europe *Danube River Basin Pollution Reduction Program*).

150. During country visits, OPS2 team members found synergy between preventing and reducing land degradation and preserving biodiversity in arid and semi-arid environments (OP1). For example, the cross-border biodiversity project in East Africa has successfully addressed biodiversity conservation and the prevention and reduction of land degradation in semi-arid landscapes between Kenya and Tanzania. Project impacts include co-management of the natural watershed by local Maasai communities covering 11,783 hectares in Namanga Forest Reserve in Kenya and 2,015 hectares in Longido Forest Reserve in Tanzania. Following forest ecosystems surveys, land management plans were prepared and are now used sustainably by the neighboring communities.

151. Integrated conservation and development planning (ICDP) is the focus of initial community participation—successfully establishing direct and obvious links between priority community needs (water, fuel, income) and biodiversity management (forests, springs, fire management). The men and women who serve on community environment committees in Kenya (Namanga, Maili Tisa, and Ormani Kavero) and Tanzania (Longido) are elected during community meetings (*baraza*). In addition to improved resource security, the major achievement in communities to date is their increased

awareness of forest values and better understanding of causes of, and opportunities to reverse, degradation.

152. OPS2 country visits confirmed that arid and semi-arid environments provided the best synergy between land degradation and biodiversity—as noted in the examples from Senegal, Tanzania, and Kenya.

153. However, the OPS2 team found that land degradation activities in GEF projects lacked innovative approaches to both policy and technological components—with most projects visited by OPS2 team members relying on old technologies and approaches. For example, the *People, Land Management, and Environmental Change* (PLEC) project activities around Mount Meru in Tanzania promoted technology that is at least 20 years old, had limited relevance to the objectives of PLEC or the operational programs of the GEF, and was not addressing the causes of land degradation in the region.

154. OPS2 country visits confirmed that land degradation issues tend to be addressed more directly in projects that have both a people/land management focus and active participation by local communities. This is consistent with the emphasis by the United Nations Convention to Combat Desertification (CCD) on civil society's important role in implementing activities to prevent and reduce land degradation. For example, OPS2 visits verified that the Senegal energy management project addresses forest biodiversity and land degradation—the priority needs identified by local communities during project design. Co-financed with the World Bank, the GEF is financing supply-side work that gives local villages secure property rights to community forests and supports sustainable agricultural systems to conserve classified forests and buffer the globally significant Niokolo-Koba Biosphere Reserve. After 2 years of participatory planning, 1.3 million hectares of forest inventories have been completed and forest management plans are prepared for 300,000 hectares of forest. In addition, local communities have signed community forest management agreements (see Box 3.14.)

Box 3.14 CONSERVING BIODIVERSITY AND COMBATING LAND DEGRADATION IN SENEGAL

The *Sustainable and Participatory Energy Management* project got underway in Senegal during 1998. The \$20 million project aims to address household energy supply and demand as well as capacity building in village, regional, and national institutions. However, the project seeks to achieve this by addressing forest biodiversity and land degradation—the priority needs identified by local communities.

Project activities focus on sustainable management of the forests around Tambacounda and Kolda—which represent 25 percent of the remaining forest ecosystems in southern Senegal. These forests are traditional sources of charcoal for Dakar, some 700 kilometers away. Harvesting during the past 15 years was unsustainable and did not benefit local communities.

The GEF is financing supply-side work that gives local villages secure property rights to community forests and supports sustainable agricultural systems that conserve classified forests and buffer the globally significant Niokolo-Koba Biosphere Reserve.

After two years of participatory planning, 1.3 million hectares of forest inventories have been completed, and forest management plans encompassing 300,000 hectares of forest have been prepared. In addition, community forest management agreements are signed with local communities in Thiewal, Netteboulou, Gardi, and Missirah. Nineteen villages manage the 15,500-hectare Netteboulou Community Forest, and 41 villages manage the 62,000-hectare Missirah-Kothiary Community Forest. In the project's third year, villagers started implementing the management plans with support from project staff living in villages and based regionally at Tambacounda and Kolda. They also are participating in income-generating activities to reduce pressure on forest resources and reverse land degradation.

Dead wood from the Netteboulou Community Forest is being carefully harvested and converted to charcoal using improved Casamance kilns—providing double the carbonization yield. Says the president of the Sourouyel village committee, "Our new property rights and ability to control charcoal licensing in our forest give us the incentive to adopt the more efficient charcoal system." The village committee applies 15 percent of income generated from the charcoal to forest management activities, including reforestation with local species, maintaining fire breaks, and conducting early controlled burning to reduce the impact of wild fires. In 2000, 54 tons of charcoal were produced from dead wood in Netteboulou Community Forest. At the same time, more than 140 kilometers of fire breaks were established.

The president of the Sourouyel Women's Committee emphasized the role of women in project activities. "We especially welcome the improved sorghum, cow pea, and peanut varieties that reduce the area needed for cultivation and reduce the time between sowing and harvest," she said. "All we need now is better water supply systems and grain mills to give us extra time for gardening and planting more trees."

Project coordinator Youssou Lo stressed the importance of income-generating activities to address the causes of biodiversity decline. "We have helped villagers establish small vegetable gardens, beekeeping activities, and improved crop production systems to eliminate the need for clearing new fields and unsustainable forest cutting," he said. "In addition, villages managing community forest areas have received support for livestock production—with the emphasis on intensification to increase productivity with less animals and so reduce impact on forest ecosystems."

J. LAND DEGRADATION: PROGRAM AND POLICY ISSUES

155. In December 2001, the GEF Council agreed to consider at its next meeting proposed amendments to its Instrument to designate land degradation as a GEF focal area. Such a designation would enhance GEF support for the successful implementation of the CCD. This development raises several issues for the GEF, which currently addresses land degradation through other focal areas.

156. Given their development within GEF's four existing focal areas, projects with land degradation components tend to focus more on biophysical symptoms than on improving land management and developing sustainable use options for natural resources management. Under a new land degradation focal area, policy and institutional issues affecting people and their interactions with ecological systems such as land tenure, land use planning, and access to support services could be better integrated into project design.

157. The OPS2 findings verify that creating an enabling environment is central to achieving sustainable land management outcomes, because policy failures are often a root cause of land degradation and livelihood insecurity. In such circumstances, further investment in natural resource management is unwise in the absence of supportive policy and institutional frameworks at local and national levels.

158. Using lessons learned from existing focal areas, GEF should identify the most promising investments in several key areas: activities to combat land degradation and the preparation of guidelines that identify global environmental benefits and the implementation of a strategic GEF response to the challenges of land degradation. The scale of GEF's investment in alleviating land degradation is small—\$278 million¹⁶ from GEF during the past decade compared with the \$562 million worth of OECD-reported official development assistance (ODA) in 1998 alone.¹⁷ Although the ODA investment in sectors targeting land degradation dwarfs the GEF investment, it only represented 1.8 percent of total bilateral ODA in 1998. There is clearly an opportunity for the GEF to add value by targeting complementary activities seeking global environmental benefits, alongside ODA investments in the developmental aspects of land degradation. GEF also may make a valuable contribution by supporting measures that enable more understanding and delivery of global environmental benefits in activities to combat land degradation.

159. The GEF Secretariat should prepare clear guidance on global environmental benefits and incremental costs associated with activities to combat land degradation. Such guidance will help the identification and preparation of new projects and attract co-financing for such activities. It should also review references to land degradation in existing operational programs to prevent confusion over where and how the GEF invests in activities that combat land degradation.

160. The effectiveness of the TDA-SAP tools for developing such enabling policy in the international waters focal area warrants the testing of similar fact-finding and diagnostic analytical tools in the new land degradation focal area. It is imperative that GEF obtain a solid scientific understanding of the multicountry dimensions of land degradation, their relationship to global benefits, and their measurements. These tools should be used to prepare and present an investment portfolio that outlines how combating land degradation produces global environmental benefits and sustainable

¹⁶ *GEF Land Degradation Linkages Study*. Working Paper 6. Leonard Berry and Jennifer Olson (Washington, DC: Global Environment Facility, 2001).

¹⁷ *Aid Targeting the Rio Conventions: First Results of the Pilot Study*. (Paris: DAC Secretariat, OECD, 2000).

development achievements, which may help attract a broad range of national and international sources of funding.

161. The GEF should co-finance capacity building, education, and public awareness measures that specifically address the global environmental benefits of activities to combat land degradation identified in the national action programs developed under the CCD.

162. There is strong country demand for activities to combat land degradation. Given concerns expressed elsewhere in this report about excess demand, replenishment of the GEF should explicitly include new and additional funding for activities to combat land degradation that deliver global environmental benefits.

K. NEW FOCAL AREAS

163. The GEF focal areas and programs have expanded in the last few years. In the biodiversity focal area, the GEF is now financing the implementation of one of the CBD protocols: the Cartagena Protocol on Biosafety, adopted by the resumed first extraordinary session of the Conference of the Parties to the Convention of Biological Diversity in Montreal, Canada, on January 29, 2000. The objective of the Protocol is “to contribute to ensuring an adequate level of protection in the field of the safe transfer, handling, and use of living modified organisms resulting from modern biotechnology that may have adverse effects on the conservation and sustainable use of biological diversity, taking into account risks to human health, and specifically focusing on transboundary movements.” As the financial mechanism of the CBD, the GEF is also called upon to serve as the financial mechanism of the Protocol. The mandate envisaged is consistent with the GEF’s general approach of assisting action that is beneficial to the global environment, since national action on biosafety can yield global benefits in terms of conservation and sustainable use of biological resources.

164. In addition to expanding the biodiversity focal area into the issue of biosafety, the GEF is now promoting the concept of agro-biodiversity through the implementation of OP13. In essence, this program protects the wild relatives of crops by protecting their habitats through community-based incentives that support improved livelihood opportunities.

165. Furthermore, the GEF has now expanded to include OP12, Integrated Ecosystem Management. It represents a shift from a single-sector approach to natural resource management to a more integrated and cross-sectoral approach to achieve both sustainable development goals and global environment benefits. This shift to an integrated approach is considered advantageous because it holds the promise of addressing interrelated issues in more than one GEF focal areas. As noted below, the approach may encounter substantial implementation problems. On the positive side, the operational program provides a framework for countries to address ecological or conservation issues within the context of sustainable development. Since its introduction about a year ago, five full projects have been approved under OP12. Two of the projects are in Africa, two in Latin

America and the Caribbean, and one in Asia. GEF's contribution of nearly \$17 million is expected to leverage \$38.5 million in co-financing.

166. However, GEF should exercise some caution in getting involved in multiconvention projects under broadly defined operational programs. Projects may face implementation problems unless their objectives are clearly aligned with their appropriate convention-related objectives. Tackling too many such objectives addressing several conventions may overwhelm project management and implementation. A more integrated and holistic approach to project formulation has considerable conceptual appeal for understandable reasons. Yet it may only be possible if there is an intensive participatory approach at both local and national levels and if the various stakeholders involved understand, agree on, and fully support all of the project objectives. In reality, this is difficult to achieve. A review of the long history of implementation experience from various types of integrated and multipurpose projects clearly illustrates the very high "mortality rates" among these projects. GEF would be well advised to avoid falling into the trap encountered by international organizations and programs, in which they seem to be unable to focus on clear operational priorities in project design and ultimately support projects that set out to serve many objectives indiscriminately and ineffectually.

167. The climate change focal area recently gained a fourth operational program (OP11) to promote the long-term shift towards low emissions and sustainable transport systems. Specifically, this program will reduce GHG emissions from ground transportation sources in recipient countries. The objective will be achieved by facilitating recipient countries' commitment to adopt sustainable, low-GHG transport measures, while disengaging from unsustainable measures common in many parts of the world. There are six full projects and two MSPs in this operational program.

168. The GEF Council, at its 16th session in November 2000, encouraged the implementing and executing agencies and the GEF Secretariat to act promptly to implement the Stockholm Convention (POPs Convention). Article 14 of the convention designates the GEF, on an interim basis and until the Conference of the Parties decides otherwise, as the "principal entity entrusted with the operations of the financial mechanism." The GEF Council decided that "should the GEF be the financial mechanism for the legal agreement, it would be willing to initiate early action with regard to the proposed enabling activities with existing resources" mainly by supporting two types of activities:

- Developing and strengthening capacity aimed at enabling recipient countries to fulfill their obligations under the POPs Convention. These country-specific *enabling activities* will be eligible for full funding of agreed costs.
- Supporting on-the-ground interventions to implement specific phase-out and remediation measures at national and/or regional levels, including targeted capacity building and investments. This second category of GEF interventions will be eligible for GEF incremental costs funding.

At its December 2001 meeting, the GEF Council requested the preparation of amendments to the GEF Instrument concerning the designation of a new focal area relating to persistent organic pollutants.

169. The OPS2 team comes to the following conclusions regarding these new focal areas and associated operational programs:

- As the only multiconvention financial facility, it is appropriate for GEF to create new focal areas related to specific conventions. Consultations should be made with each convention to ensure that the new operational programs are not so broadly defined as to overburden GEF's limited resources. New activities need to be clearly prioritized, and conventions should be asked to identify current convention-related activities that no longer have the same priority, and can therefore be discontinued or reduced.
- New environmental conventions should be welcomed into the GEF, provided that the GEF Council is able to secure commitments for the additional resources needed for implement such expansion.

L. OVERALL RESULTS

170. As cautioned in the introduction, halting or reversing the conditions responsible for the severe deterioration in global environmental conditions will involve far more resources than the GEF has. It will also take more time. Thus, while resources alone are inadequate, they can serve as catalytic stimuli for both public and private sector actors to enter this arena. It is equally important that political and institutional commitments are made and observed, particularly at the national and local levels, to enable progress. Resources associated with international environmental agreements can motivate and galvanize political and popular support for taking action to alleviate deteriorating environmental conditions. This is particularly true if such action is associated with activities that meet the urgent development aspirations of both governments and people in GEF-eligible countries.

171. We find that the GEF has reported accurately and credibly on the results from completed and ongoing projects. During our project visits and country and subregional consultations, the viewpoints of country officials and other stakeholders were not materially different from the positive project achievements that emerged in GEF's project reporting system. These reports seem credible and professional.

172. In our view, the GEF has already produced a broad range of results that are beginning to demonstrate significant positive impacts and that have laid the foundation for even more substantial results in the future. Broader impacts should also be expected through the replication, with other sources of funding, of successful GEF project outcomes.

173. The OPS2 team finds these positive achievements very encouraging and commendable. They lead us to conclude that many of these achievements reflect

significant interagency partnerships within the GEF. In our view, these results would most likely not have been achieved in the absence of this unique international financial mechanism. These results are significant enough to warrant continuing strong support for GEF by its member countries.

RECOMMENDATION

174. The GEF should review and rationalize the number and objectives of operational programs in light of the lessons learned in order to ensure consistency and a unified focus on delivering global environmental benefits. Furthermore, to ensure quality outcomes that focus on global environmental benefits, OPS2 recommends that GEF make a special effort to use scientific analysis as a constant foundation for the planning and implementation of new projects in all focal areas. The science-based Transboundary Diagnostic Analysis (TDA) should continue to be the basis for facilitating regional agreements on actions to address threats to international waters and for developing strategic action programs (SAPs). OPS2 further recommends the extension of a similar approach to land degradation, as it is now becoming a new focal area.

IV. GEF RELATIONS WITH THE CONVENTIONS

175. The GEF was created to provide support to global environmental conventions and to assist in financing efforts to address the underlying causes of global environmental degradation. In fact, the GEF was the only new source of international financing that emerged from all the parallel negotiations during the late 1980s and early 1990s leading up to the 1992 Earth Summit in Rio de Janeiro.

176. The GEF is the only multiconvention financing facility in existence, and it is the major source of funding specifically supporting international environmental agreements.

177. GEF's operational principles state that, as the financial mechanism for the implementation of the two global conventions on climate change and biodiversity, the GEF will function under the guidance of, and be accountable to, the Convention COPs.

178. Has the guidance received from the conventions been effective? Has GEF been able to incorporate this guidance into its operational programs? The OPS2 team tried to explore these and other related questions.

179. Overall, the OPS2 team finds that the GEF has been responsive to the UNFCCC and the CBD. The Operational Strategy and operational programs, by and large, reflect Convention objectives and priorities. The OPS2 team identified some confusion among the IAs and partner countries in defining global environmental benefits and the role of GEF in financing activities that primarily address country development needs rather than global environmental issues. A perceived shortfall in the biodiversity focal area, where the GEF portfolio is considered relatively weak in supporting activities leading to sustainable use and benefit sharing, may reflect the fact that the Convention itself has not yet provided clear and precise guidance on these matters to the GEF.

180. The GEF response to convention directives for supporting countries in meeting their reporting requirements has been satisfactory and pragmatic. The GEF has funded a worldwide program of enabling activities to support the reporting requirements of both the UNFCCC and the CBD. Lessons learned from the design and implementation of these enabling activities are reflected in the current GEF initiative to support countries to undertake assessments on capacity development to meet their obligations and contributions to the conventions.

181. The GEF has had some difficulties in translating broad convention guidance into practical operational activities. Since discussions and decisions in the COPs often include—and derive from—very complex political processes, clarity in the decisions of the COPs to the conventions is essential. The consistency of guidance from the conventions must be such that it can be translated into meaningful action in support of the conventions' objectives.

182. For example, the GEF has followed guidance from the biodiversity convention to implement support for enabling activities that assist countries in developing their

biodiversity country studies, national reports, and national biodiversity strategies and action plans (NBSAPs). As of June 30, 2000, the GEF had supported 185 enabling activities and clearinghouse mechanisms (CHMs) in the biodiversity focal area with a total allocation of \$46.62 million. However, the evaluation of these enabling activities pointed out that COP guidance was so broad and general that it was difficult to respond to it in operational terms. Countries themselves often experienced difficulties in understanding the broad guidance given by the conventions. Efforts have been made to establish better guidelines and criteria.

183. In response to guidance given by the COP for enabling activities in the climate change focal area, guidelines and criteria were produced in 1996 by the GEF Secretariat in close collaboration with the Convention Secretariat and the IAs. However, the evaluation report notes that there was no consultation with any of the countries involved in developing the operational criteria.

184. The OPS2 team found that considerable progress has been made in improving communications between the convention secretariats and the GEF Secretariat and also with the IAs. During the OPS2 country visits, the GEF was commended by all parties concerned for its responsiveness, through its enabling activities, in meeting some of the funding needs of member countries for developing their national capacities to fulfill their membership obligations to the conventions. The nature of country reporting has been subject to much debate in the conventions. Two sharply different views were noted in the evaluation report for the climate change enabling activities. On one side, it was argued that capacity building was needed only to the extent required to prepare the initial national communications, while the countervailing viewpoint was that capacity building should be established to help countries move beyond the initial communications and gear up for developing policies and strategies required to deal with climate change.

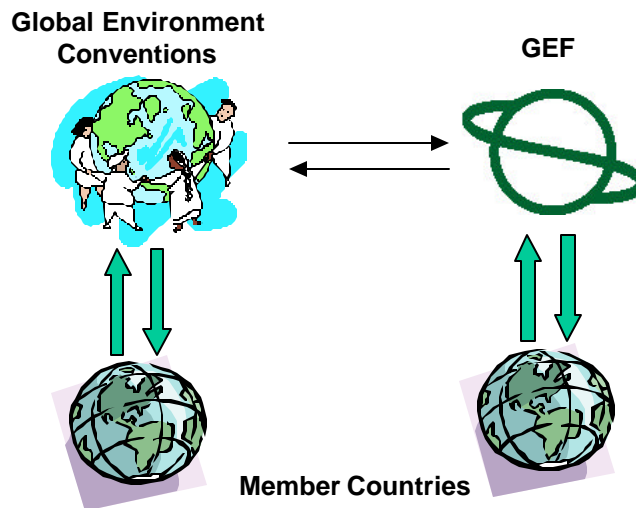
185. The OPS2 team found that GEF has funded 320 enabling activities for a total of \$104.5 million with a further \$10.5 million of co-financing. This is a very significant amount and careful reflection is needed. There are good reasons for continuing such funding. However, at the same time, some caution should be exercised with regard to new rounds of funding requests for the same convention—in order to ensure that priority country needs are met and convention guidance is reflected effectively.

186. GEF's operational principles state very clearly that GEF projects must be based on national priorities designed to support sustainable development in the context of national programs. Hence, the OPS2 team points to the importance of GEF assistance to countries in mainstreaming the national reports to the conventions, such as national biodiversity SAPs and other enabling activities, within their national plans and sustainable development policies. In this regard, the active participation by the implementing agencies can be very valuable.

187. The current system for reporting on results from GEF-funded activities in each recipient member country is calls for reporting directly to the GEF Council and indirectly to the conventions by the GEF CEO and the IAs. Under the conventions, the individual

countries are not required to report on GEF-funded activities in their national reporting and communications to the COPs.

188. These relationships are conveyed in the following simple diagram:



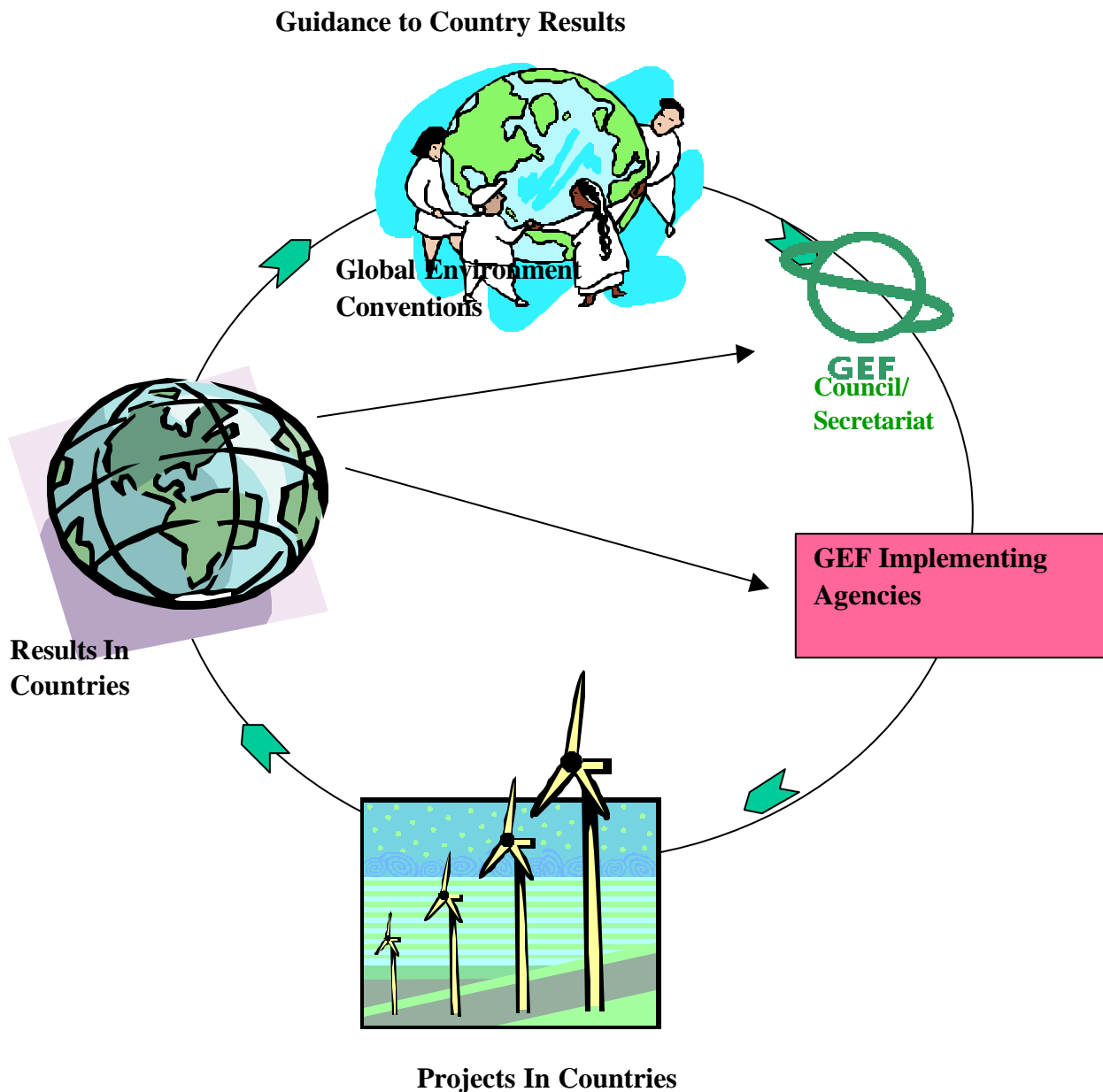
189. Discussions at COPs are often of a highly political nature, including debates on broad issues related to changes needed in North-South relationships.

190. At the same time, GEF donor countries have sought to learn, for GEF replenishment purposes, whether recipient countries endorse GEF-funded activities as targeted and useful to their participation in the related conventions. While not a convention requirement, there is ample scope for member countries to include such reporting to the conventions on a voluntary basis. As the GEF portfolio matures and as project outcomes are becoming apparent from a growing number of completed projects, there will be increasing opportunities to provide such reports in the years ahead.

191. The OPS2 team tried to explore whether member countries are beginning to acknowledge these outcomes directly to the convention—that is, to reflect the actual in-country results arising from project approvals that take into account the COPs' guidance on programs and priorities.

192. In that case, the recipient countries' assessment of the relevance of project outcomes would not only be expressed through the regular country dialogues with each implementing agency handling GEF projects and through the GEF monitoring and evaluation system. It also would be expressed directly by member countries in their country statements and reporting to each of the conventions, as follows:

Possible Cycle of Convention



193. There seem to be wide differences in opinion about whether national reporting to the conventions should systematically include results achieved from all GEF projects.

194. Besides reporting to the GEF Council, the Chair/CEO of GEF reports on a regular basis directly to the conventions. Representatives from implementing agencies also attend these meetings regularly. However, for many donor countries, it would be far more compelling and convincing to hear representatives from recipient countries speak up on whether funding by the GEF resulted in significant results that are consistent with the conventions' objectives and relevant to national sustainable development policies and programs.

195. During several OPS2 country visits, it was pointed out that country statements made to GEF by the GEF country focal points were not always consistent with statements made by the same country's delegates to the COPs. In a few cases, the reason given for this lack of consistency was that the country considered COPs as largely covering discussions and international negotiations of a political nature, while GEF addresses substantive technical, developmental, and financial matters. The Team's overall impression was that most countries consider it appropriate to reflect GEF achievements in their statements to the COPs as well as in the national reporting by their convention focal points. This would lead one to expect member governments to give more attention to this matter, contributing to stronger partnerships between countries and the GEF.

RECOMMENDATION

196. The GEF should adopt a cautious approach to funding any new rounds of enabling activities to the same convention. All such activities must be assessed for their effectiveness in responding to the convention guidance and to country needs. It is important to assess the use of national reports, national communications, and national action programs within the strategic frameworks for a country's national sustainable development program and for GEF's programming and project preparation activities. In this context, OPS2 also recommends that the GEF Council explore the feasibility of each country reporting directly to the appropriate convention on the effectiveness and results of GEF's country-relevant support for both enabling activities and projects.

RECOMMENDATION

197. In its dialogue with each convention that it supports, the GEF should regularly seek to update and clarify existing priorities and commitments in light of each new round of guidance it receives.

V. THE GEF AT COUNTRY LEVEL

198. A key GEF operational principle is that its projects must be country-driven and based on national priorities designed to support sustainable development, as identified in the context of national programs. OPS1 made a distinction between a project being “country driven” and a project having “country ownership.” It concluded that these two concepts were related but not synonymous. A project may not be country-driven in origin but strong country ownership can evolve if project stakeholders support its objectives and implementation and find it valuable and consistent with country priorities and needs.

199. Country ownership of GEF projects is considered to be instrumental in the integration of the global environmental agenda with country development policies. The many positive results noted earlier among completed and ongoing GEF projects would not have been possible without considerable country ownership in the development and implementation of these GEF-funded activities and the perception that projects were consistent with country priorities.

200. As more GEF activities become country-driven, there will be more opportunities for governments to integrate these activities into the larger context of their own national development and environment priorities. As noted in Chapter 2, the funding of global environmental activities leads to the creation of national and local environmental and developmental benefits. The OPS2 team finds that GEF-funded global environmental activities need to be operationalized in a broader sustainable development context, particularly to ensure national and local support for their continuation beyond the project timeframe and further replication of project results.

GEF FOCAL POINTS

201. Countries have designated two types of GEF country focal points—political and operational. Political focal points are responsible for GEF governance issues and policies, while the operational focal points are responsible for in-country program coordination. All member countries have political focal points, whereas only countries eligible for GEF funding are expected to designate operational focal points.

202. It is obviously important for the GEF to make sure that its operational policies and procedures are clearly understood by national policymakers and project planners. To ensure that projects achieve positive global environmental results and impacts and at the same time strongly support country development policies, GEF needs to help operational focal points become effective.

203. Each of the IAs has important operational contact points with partner governments. These contact points are very important to ensure that GEF project activities are set within a framework of national sustainable development policies and programs. However, GEF also needs a central focal point in each country that can ensure

that GEF projects are properly coordinated, fall within the priorities and policies of the government, are considered in the context of a country's membership in international environmental conventions and in other related agreements, and receive the support needed to achieve results that have positive global environmental impacts.

204. In countries visited by the OPS2 team, strong appreciation was expressed for the role of GEF projects in bringing international environmental issues to the attention of national policymakers. In addition, GEF-financed activities have supported institutional and human development and strengthened in-country involvement with international environmental conventions. In particular, GEF's financing of enabling activities has helped build local capacity to enable meeting country obligations under the global environmental conventions. A main emphasis has been to assist countries in preparing their national reports and communications to the conventions and in developing associated action plans.

205. The OPS2 team found that countries especially valued the immediate and significant impact of GEF funding for enabling activities on raising the quality of reporting to the conventions. By demonstrating that efforts to achieve global environmental improvements can also have direct local and national benefits, enabling activities have generated government commitment and created a clear understanding about the GEF among non-institutional stakeholders such as NGOs and community-based organizations. Within the international waters portfolio, the TDA carried out as a basis for developing a SAP is being regarded as a mechanism to enable countries to address common, multicountry environmental problems. This process was considered very valuable for building capacity (scientific, technical, and institutional) and enhancing stakeholders' participation at various levels. Hence, technical assistance included in GEF projects has facilitated in-country capacity building for dealing with global environmental issues.

206. Several countries covered by multicountry constituencies of Council members, expressed concerns about coordination problems. Many operational focal points felt that communication channels with the Council Member representing their country were weak. It was not clear whether this was due to little direct contact between the Member and the operational focal points in their constituency. Problems also seemed to occur when communications made through political focal points failed to reach operational focal points. The links between the political and operational focal points within many countries appeared to be weak. At one OPS2 regional meeting, an operational focal point expressed no knowledge about the political focal point in his own country. In certain instances, both political and operational focal points expressed dissatisfaction with their relations and communications with the GEF Council Member representing their constituency.

207. The importance of the role of the operational focal points has become increasingly evident in recent years with larger GEF portfolios and new trends towards a long-term programming approach of GEF activities. Such programming must be placed within the overall context of national sustainable development policies and programs. It also means that the operational focal points must have close links with the IA and EA contact points

in the country, as well as have direct access to the GEF Secretariat. Their key role in the GEF system is exemplified by the dedicated list of operational focal points in a separate annex in the GEF Annual Report and on the GEF website. The current list of operational focal points in GEF's 2000 Annual Report, however, has some important missing entries and is not accurate. The quality of this reporting needs to be significantly improved. The GEF Secretariat should maintain an up-to-date roster of all operational focal points, which should be reconfirmed at least annually prior to the publication of the GEF Annual Report.

208. Four years ago, the OPS1 stated that focal point endorsement of project proposals is not by itself a good indicator of country ownership, since the focal point system did not work well in most countries. OPS2 finds that there has been little improvement in this regard, with the exception of some of the larger countries.

CRITICAL ISSUES FACING THE OPERATIONAL FOCAL POINT SYSTEM

209. During OPS2 country visits, complaints were frequently made about the weak status and ineffectiveness of the operational focal point system. Many of the stakeholders considered the focal point system to be a major obstacle to GEF effectiveness.

210. Operational focal points often felt that they had only a limited real responsibility, mainly for signing the project endorsement letter. However, most of them were only able to devote a small part of their professional time to GEF activities, since they also carried many other non-GEF-related government responsibilities. Many operational focal points were disappointed by the lack of support received from the GEF Secretariat. In particular, they felt handicapped by a lack of information-related support both from the GEF Secretariat and from the IAs.

211. Improving the effectiveness of the operational focal points is not only important for program and project coordination but also for efforts to improve project processing. The MSP evaluation showed that clearance by the country operational focal point is often among the significant factors causing delays in GEF project processing.

212. Similar to the conclusions of OPS1, during its country visits, the OPS2 team found that country officials often were concerned about the generally weak national coordination during GEF processing of global and regional projects. Some operational focal points felt that the IAs pressured them to endorse projects, often at short notice. Furthermore, several operational focal points expressed a lack of understanding as to the potential national benefits to be derived from regional and global projects. Hence there continues to be significant problems in this regard.

213. The OPS2 team met with many country officials and other stakeholders who expressed strongly held views to the effect that the GEF should have a separate institutional structure, thereby giving it a stronger international profile. While there was appreciation for the GEF's many positive benefits, including credible and operationally experienced IAs, the views expressed pointed to the strategic importance of a distinct role

for GEF, in which it may ascertain that Convention guidance will in fact lead to program and project development that brings about the targeted global environmental benefits.

IMPROVING THE OPERATIONAL FOCAL POINT SYSTEM

214. Many of the operational focal points that the OPS2 team met noted the need for enhanced clarity on their GEF-related functions. Some requested specific support and guidance on how to carry out their assignments. Others suggested training to improve technical capacity for carrying out GEF program coordination at the national and local levels. Periodic subregional workshops were also suggested, whereby operational focal points would be able to meet with counterparts from neighboring countries to exchange experiences on GEF issues.

215. There are difficulties with the assumption that officials and other stakeholders in member countries can adequately meet their GEF information needs by accessing the GEF website. It is both costly and difficult to download documents in many developing countries. The GEF Secretariat needs to be far more proactive in information dissemination generally and in providing better country-focused information, in particular, in support of the operational focal points.

216. Rather than focusing mainly on project endorsements, the operational focal points should become better informed and more involved in the other stages of the GEF project cycle, including project implementation. An important improvement would be to provide them with improved access to available GEF project information from the global databases.

217. Every 6 months, the GEF Secretariat issues a global Operational Report on GEF Projects, based on regular semi-annual status reports provided by each IA (and, in the future, by each EA also). The elements of this report that relate to GEF country, regional, or global projects of direct interest to a given country can also be made available, for very marginal or no extra cost, to that country. This should strengthen the GEF system by dovetailing the current effort to provide “upwards” status reporting to IA headquarters and the GEF Secretariat with new parallel reporting to the country through its operational focal point.

218. Such information should enable operational focal points to become better informed about GEF activities affecting their countries. It also should make it more feasible to aggregate country-level information into a national status report on all GEF activities in that country. Each operational focal point should be encouraged to disseminate such semi-annual status reports on country-relevant national, regional, and global GEF projects, and to make these reports available in the language(s) appropriate for effective in-country communication on GEF activities. The GEF Secretariat and the IAs/EAs should provide direct technical support services for such reporting.

219. Empowered by such a country-focused and comprehensive GEF information base, the operational focal points would be well positioned to contribute to portfolio reviews at the country level. They also would have access to improved information flows from the

IAs and EAs on project development, implementation, and evaluation of national, regional, and global projects, including information flows facilitated by the in-country representatives (resident offices) of the implementing and executing agencies.

220. Besides tapping public and private sector stakeholders in ongoing projects, such portfolio review workshops should also help bring together GEF project managers/field staff at regular intervals to review the breadth and complexities of the GEF portfolio in each country and draw implementation lessons useful for improving the project approval process. The reviews should involve the country and regional offices of the IAs and EAs, as well as the related convention focal points for the country.

221. As more actors are entering the GEF, for example, the new executing agencies, it will become even more important to ensure that the operational focal points are working effectively. In this regard, the present system of nominating GEF country contact points within each implementing agency should also be extended to the new executing agencies.

222. The GEF country dialogue workshops were particularly appreciated in all countries visited by OPS2. The workshops have typically involved a broad range of stakeholders, including representatives from the GEF Secretariat, the IAs, government officials, academics, the media, and NGOs, as well as other segments of civil society. Private sector participation has also been encouraged, though this has been limited. Apart from contributing to raising awareness about the GEF, the workshops have provided specific information to stakeholders on GEF functions, operational programs, and procedures. There seems to be broad consensus that the GEF should consider holding repeat workshops at regular intervals in each country.

223. In 1999, the GEF Council approved a program to support country focal points and enable constituency meetings. The main objective is to provide in-kind services to facilitate the administrative functions of the country operational focal points. The estimated budget support for a 3-year assistance program, planned for about 100 countries, came to a total of \$639,000 per year. As originally planned, there would be a range between \$2,000 and \$8,000 for annual services to each country focal point (after initial start-up assistance for internet connections of \$500) and up to a maximum of \$2,000 for constituency coordination services. Each country can choose which local IA field office would administer these funds.

224. The May 2001 Council paper (Review of GEF Support to National Focal Points and Council Members Representing Recipient Country Constituencies; GEF/C.17.Inf.10) reports that a total of 110 countries have requested, and subsequently had approved, assistance to national focal points (99 through the UNDP and 11 through the World Bank). It was also reported that most of these have been approved at the maximum level of \$8,000 annually. The program will have commitment authority until the end of 2002. Disbursements were about \$763,000 in May 2001, which seem to be on schedule.

225. During its country visits, the OPS2 team found that the officials concerned were grateful for this assistance program, but also dissatisfied with what they perceived as its cumbersome procedures. The Team found that:

- The focal point part of this program should be focused very clearly on the operational focal points.
- Procedures should allow for 3-year support programs.
- The IA chosen by the country should make sure that simplified procedures are available for accessing these in-kind services.
- The perception of procedural problems in the implementation of the constituency part of this support program should be addressed.

226. The OPS2 team found that the enabling activities, country dialogue workshops, and the assistance program for the country operational focal points had many positive features, allowing for significant country reporting to the conventions, better understanding of GEF policies and procedures, and some support to the generally weak operational focal point system. The latter two programs should each be subject to an evaluation when they are completed at the end of 2002. Despite these country support activities, the OPS2 findings highlight the need for additional support measures to enable improved functioning by the country operational focal points, which are still weak links in the GEF operations.

227. The cautious approach adopted so far by the GEF is understandable. National coordination functions are clearly a country responsibility. Several recipient countries, mostly the larger ones, have already established effective GEF units around the position of the operational focal point. However, in most countries visited by the OPS2 team, the funding and staffing needs of a GEF operational focal point system required closer attention. While it seems appropriate for the GEF to refrain from financing staffing costs related to national GEF coordination functions, there are compelling reasons for empowering them with more targeted information services related to all phases of the GEF project cycle. More pro-active involvement in portfolio reviews by the operational focal points systems in each country would greatly strengthen the annual GEF Project Implementation Reviews. It would also help to reduce the present confusion in many countries on the status of project proposals and on the actual outcomes of GEF funded projects.

228. With a modest and carefully targeted amount of earmarked funding set aside, in-country portfolio reviews could be conducted at regular intervals, as appropriate, to provide strategically important contributions to GEF operations and improve operational understanding in each country. Such funding should be additional to the continuation of the country dialogue workshops, which address different audiences and serve broader information and awareness functions.

229. Funding for project portfolio reviews in each country should not be based on formalized country allocations. Rather, it should be determined on a case-by-case basis depending on actual needs and specific circumstances in each country, after consultations between the operational focal point and the GEF Secretariat, and in collaboration with the country-assigned staff of the implementing and executing agencies. Country portfolio

workshops of this kind should include participation by all GEF entities active in that country and the GEF Secretariat, but their travel costs and per diems would not be covered under this special funding allocation.

230. In general, funding should be limited to contributions towards in-country travel, accommodation, and communication costs. The financial administration and accountability for this special service to in-country GEF portfolio reviews, should, in the view of the OPS2 team, rest with the GEF Secretariat.

231. Furthermore, regarding national coordination functions, some recipient countries, mainly among the larger ones, have already established effective GEF coordination support units around the position of the operational focal point. However, in most other countries visited by the OPS2 team, the GEF operational focal point system seemed to function with very little support.

232. OPS2 country visits reinforced the understanding that successful preparation of projects is only possible if coordination between government and non-governmental stakeholders is good. Inclusive participation should include stakeholders at the regional and local levels, as well as the private sector. The GEF operational focal point can and should be able to act as the main facilitator for such coordination.

233. A recent GEF workshop on best practices in country coordination suggested that the implementation of GEF-related activities could be substantially improved and expedited if GEF national coordination structures were established in the countries (see Box 5.1). Increasing the capacity and effectiveness of the operational focal points would substantially enhance the efficiency of GEF interventions. In recent years, some of the larger countries such as China, Brazil, and Mexico have shown significant progress in demonstrating this type of country ownership in their selection of projects for GEF country endorsement and for further project development. Each of these countries have established interministerial GEF coordination committees that include the ministries of environment and finance, as well as other ministries, agencies, and other institutions.

234. An important facet of GEF effectiveness that the country coordination workshop noted was the extent to which the operational focal point in each country was able to coordinate GEF program planning and reporting with the country's focal points for the different international conventions. Because the GEF's main rationale is its relationship to the global environmental conventions, it stands to reason that reports of the results of its program funding should ultimately be channeled back to the conventions through member countries' reporting on results.

235. Consequently, it is necessary to develop an effective capacity at the national level for the GEF operational focal points to exchange information (especially program results) with the national focal points for the individual conventions the GEF serves. This would ensure that the national reporting to the conventions is complete in all respects and, most importantly, would highlight positive outcomes from GEF investments and, where appropriate, acknowledge failures and weaknesses. Indeed, the conventions that GEF

Box 5.1 STRENGTHENING THE OPERATIONAL FOCAL POINT SYSTEM

Participants from the 12 countries participating in the March 2000 Workshop on Good Practices in Country-Level Coordination identified key elements for effective country coordination of GEF activities:

- National GEF focal point coordination mechanism
- Institutional continuity for the GEF focal points
- Coordination function of the GEF operational focal point
- Effective dissemination of information to and from the GEF operational focal point
- High-level commitment
- Coordination at many levels
- Linkages to NGOs
- Grassroots support
- GEF projects driven by country stakeholders
- Mainstreaming/streamlining of GEF projects
- Subregional coordination and regional projects
- Activity to address GEF complexity and links with conventions.

Lessons learned from the March workshop include:

- Coordination on GEF matters is more effective when it is part of an overall national strategy for handling sustainable development issues at the government level.
- GEF project identification and preparation is effective when cooperation and coordination is standardized, transparent, and inclusive.
- Effective country coordination for GEF evolves from strong country driven-ness – including a national commitment to a coordinated approach to GEF investment.
- Awareness raising and information sharing is an integral part of the coordination activities conducted by governments and their partners in GEF projects.

Given the demands GEF activities can impose, national coordination structures are more effective than operational focal points alone, especially when they draw on expertise from civil society as well as government institutions.

Source: *Good Practices: Country Coordination & GEF*, January 2001, GEF.

serves should broaden the reporting requirements from member countries to specifically incorporate such complete reporting.

236. Three main conclusions flow from our findings in this area:

- More and better focused information services need to be provided by GEF to empower the operational focal point system in each country to execute their tasks more effectively.
- A modest amount of additional and carefully targeted financial resources are needed to enable them to carry out in-country portfolio reviews with the IAs and EAs, with the relevant convention focal points for the country, with public and private sector agencies involved in the implementation of ongoing GEF projects, and also with local project managers and field staff from national,

regional, and global GEF projects. Such portfolio reviews would enable operational focal points to obtain a good understanding of their influence and impact on country priorities, strategies, and national programs.

237. The GEF Secretariat needs to establish staffing capacity in the form of a Country Support Team (see Chapter 7) to be able to interact more promptly and efficiently in providing consistent guidance, information, and operational advice to the operational focal points.

RECOMMENDATION

238. The GEF should continue ongoing efforts to support capacity development of operational focal points, the national GEF coordinating structures, and the country dialogue workshops. Furthermore, OPS2 recommends that the GEF Secretariat help empower operational focal points by providing better information services on the status of projects in the pipeline and under implementation. To that end, the GEF Council should allocate special funding, administered by the GEF Secretariat, to support the organization of regular in-country GEF portfolio review workshops, carried out by the national operational focal points with participation by the related convention focal points, IAs, and EAs.

VI. PROGRAM AND POLICY ISSUES AND FINDINGS

239. This chapter deals with some important cross-cutting issues beyond individual focal areas that have implications for GEF policies and programs.

A. GLOBAL BENEFITS AND INCREMENTAL COSTS

240. The basic provisions of the Instrument for the Establishment of the Restructured GEF requires that the GEF shall operate as an interim financial mechanism for providing new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve global environmental benefits in four focal areas.

241. The OPS2 team found that both IA staff and other GEF stakeholders at the country level seemed unfamiliar with, and sometimes uncomfortable about their lack of understanding of, the economic concepts and the GEF Operational Strategy relating to the incremental costs of delivering global environmental benefits.

242. Both the GEF Pilot Phase Review and OPS1 emphasized the importance of greater clarity and operational guidance on how to determine what is covered by the term “global environmental benefits,” particularly for the biodiversity and international waters focal areas. Early on the GEF Secretariat was given funding for a global project, the Program for Measuring Incremental Costs for the Environment (PRINCE) that was supposed to sort out the concept of incremental costs linked to global environmental benefits. Various workshops and studies have been undertaken, although OPS2 was informed that funding for this exercise has not been exhausted and the exercise has not been completed.

243. Progress has been made in deriving a practical approach to determining incremental costs at the technical level between the GEF Secretariat and the GEF units in the IAs. Convincing views were expressed among these parties that the use of the agreed incremental cost principle has generated positive impacts, including strengthening country design of projects for the GEF, helping to focus GEF investment on global environmental benefits, and fostering greater leverage to secure co-financing for GEF projects.

244. However, the OPS2 team also found that there is confusion at the country level and among other stakeholders over definitions of global environmental benefits and incremental costs. There is some lack of clarity on these related topics even among IA field office staff.

245. Country officials and project stakeholders who met with the OPS2 team during its visits did not question the principle of GEF financing the agreed incremental costs associated with meeting obligations of the conventions. However, they raised questions about how it was applied in practice, while making decisions about GEF funding. They were unclear about how GEF has incorporated into its operations the GEF priority for funding global as compared with national environmental benefits. While some lack of

clarity on these issues may have enabled operational flexibility and more freedom for case-by-case interpretation, a state of affairs more appropriate in GEF's early trial-and-error days, it should not be acceptable today. Better operational guidance, improved communications, and greater consistency in the application of the incremental costs concept are needed.

246. The OPS2 team concludes that:

- The GEF Secretariat needs to give high priority to developing operational guidance materials that clearly communicate how global benefits are defined at project design and also how they will be measured at project completion.
- To derive an understandable operational definition for incremental costs, it is not necessary to undertake more research or conduct highly technical assessments of the complexities that this term may involve.
- Based on available material, such as the information paper sent to the Council in 1996, it is now imperative to provide written guidance that enables improved understanding and consistent application of this concept by country officials and other project stakeholders.
- The principle that incremental costs for achieving global environmental benefits are agreed between country partners and the GEF is enshrined in both the Instrument and the conventions (CBD, UNFCCC, and CCD). Thus, the starting point should be development of a mechanism for reaching agreement between country partners and the GEF. The most appropriate approach would be a transparent negotiation framework capable of being consistently applied.
- Progress on these points will facilitate a host of other improvements in GEF operational policies, country participation, and country-drivenness, reducing processing complexities and boosting opportunities for co-financing and GEF partnerships.

247. If a negotiation framework such as that proposed in the February 1996 information paper is used to establish a cost-sharing arrangement, the GEF share of the project investment will be based on an agreed understanding of global environmental benefits and a related estimate of the incremental costs. If the negotiation process is effective, the cost-sharing arrangement would be arrived at through pragmatic approximation rather than detailed calculation. The GEF has the opportunity to support development of a practical tool that helps identify global environmental benefits and assists negotiations of cost-sharing arrangements between the GEF, IAs and EAs, country partners, and other funding sources. This could be done by an interagency task force convened by the GEF Secretariat involving a small group of resource economists and focal area practitioners representing the GEF Secretariat, STAP, the IAs, and recipient countries.

248. The resulting practical tool could be tested in five to 10 countries over a 2-year period before being reviewed and revised by the same task force. The revised practical tool should then be widely promoted and applied to GEF activities.

249. Such a practical tool should be used at various points in the project cycle:

- Project identification. In the project brief, the IA task manager should present the basic principles behind the concept of incremental costs after consultation with technical counterparts in the country.
- Project preparation. When a project document is presented for inclusion in a GEF work program, its incremental costs framework should be used as the foundation for technical negotiations between the government and the IA task manager.
- Final approval. The agreed incremental cost and the basis for the agreement, along with other project details, would be reviewed by the GEF CEO prior to final approval in the IA.

RECOMMENDATION

250. To improve the understanding of agreed incremental costs and global benefits by countries, IA staff, and new EAs, OPS2 recommends that the 1996 Council paper on incremental costs (GEFF/C.7/Inf.5) be used as a starting point for an interagency task force. This group would seek to link global environmental benefits and incremental costs in a negotiating framework that partner countries and the GEF would use to reach agreement on incremental costs. This should be tested in a few countries, and revised based on the experience gained, before it is widely communicated as a practical guideline for operational focal points, IAs, and GEF Secretariat staff.

B. MAINSTREAMING, CO-FINANCING AND REPLICATION OF PROJECT RESULTS

251. From the outset, it was considered important that the GEF become an effective facility for generating funding from other sources in order to meet global environmental objectives. Its Operational Strategy includes the following principle: “Seeking to maximize global environmental benefits, the GEF will emphasize its catalytic role and leverage additional financing from other sources.” This section will look at activities to realize global environmental benefits in the regular operational programs of the implementing agencies (so-called “mainstreaming”), the degree to which the implementing agencies have succeeded in getting co-financing from other sources, and other efforts to replicate results from GEF projects.

MAINSTREAMING GLOBAL ENVIRONMENTAL OBJECTIVES

252. The GEF Instrument makes it very clear that each implementing agency will strive to promote measures to achieve global environmental benefits within the context of

their regular work programs (GEF Instrument, Annex D, paragraph 7). One of the priority recommendations of OPS1 was that the IAs adopt measurable goals for mainstreaming GEF's global objectives into their regular operations. All three implementing agencies have made efforts to mainstream global environmental issues. Annex 7 provides more details on these efforts, through excerpts from IA documentation.

253. The recent environment strategy of the World Bank (*Making Sustainable Commitments: An Environment Strategy for the World Bank*, GEF/C.17/Inf.15, May 2001) is centered around three interrelated objectives—improving people's quality of life, improving the prospects for and quality of growth, and protecting the quality of the regional and global environmental commons. The goal of the strategy is to promote environmental improvements as a fundamental element of development and poverty reduction strategies and action. Among the various efforts to integrate environmental considerations into all Bank activities are the moves to mainstream global environmental objectives in the country dialogues and the country assistance strategies (CAS). The Bank recognizes its role in helping client countries address the objectives of the international environmental conventions and their associated protocols. Recognizing potential synergies and complementarities, the strategy plans to seek interventions which simultaneously bring about global as well as national and local benefits to developing countries. The strategy document notes that the integration of GEF-funded projects into Bank lending operations has improved substantially over the last 10 years, with free-standing GEF projects having dropped from 80 percent at the beginning of the GEF Pilot Phase to less than one-third in 2000. Furthermore, it is claimed that there has been much improvement in integrating GEF objectives with those of associated Bank Group-funded projects, in particular in the biodiversity portfolio. The Bank notes that the integration of global objectives in the CAS frameworks has been pursued with clear encouragement, but with less immediate results. It will take time and, as noted by the World Bank, "a readiness and capacity on the client side to address global environmental concerns and their links to national development objectives and priorities."

254. The UNDP prepared an action plan in 1999 (*Integrating GEF-Related Global Environmental Objectives into UNDP Managed Programmes and Operations: An Action Plan*, GEF/C.13/4, March 1999) to promote measures that can achieve global environmental benefits by mainstreaming global environmental concerns into the design, implementation, monitoring, and evaluation of UNDP policies, programs, and operations. The action plan notes that the mission of the UNDP focuses on efforts to achieve human development based on country-driven activities, primarily with a domestic benefit. The GEF, on the other hand, focuses on country-driven activities with primarily global benefits. Furthermore, it observes that these are not mutually exclusive interventions, but that they create both challenges and opportunities for mainstreaming. The challenge to mainstreaming is two-fold. First to find a strategic nexus between national development priorities where trade-offs can be pragmatically addressed and, second, to capitalize on potential win-win opportunities that can be equally supported by UNDP, GEF, and the countries. The UNDP action plan focuses on specific outputs, which include (i) reflecting global environmental objectives in UNDP national program documents; (ii) proposing additional performance criteria for promoting global environmental convention objectives for funding allocations to national programs; (iii) undertaking a 10-country pilot scheme

in which there will be complementary programming to identify projects with UNDP-managed resources as leveraged for co-financing for planned GEF-supported interventions; (iv) including global environmental objectives in half of UNDP national program documents by 2004; (v) systematically feeding the results of completed biodiversity strategy and action plans, strategic action plans, and national communications into UNDP country programs; and (vi) establishing a project tracking system that identifies projects contributing to global environmental convention objectives.

255. UNEP states in its action plan (Action Plan on UNEP-GEF Complementarity. UNEP/GC.20/44, 1999) that it is fully committed to realizing its mandate in the GEF, which is based on its demonstrated comparative advantage and calls for strengthening programmatic linkages with the UNEP program of work. Indicators proposed for defining “additionality” include the application of GEF funds for scaling up and replicating UNEP activities and adding complementary components to achieve global environmental benefits; responding directly and specifically to GEF operational programs; and relating to issues on which the conferences of the parties to the CBD and UNFCCC have provided guidance to the GEF. The action plan notes that integrating GEF activities within UNEP means GEF objectives should be an integral part of UNEP’s internal decisionmaking on institutional priorities and programs, thus ensuring that such integration takes place at the highest levels in UNEP. The plan aims to provide enhanced information and training for UNEP staff along with demonstrating associated financing or co-financing, while recognizing that UNEP, unlike the World Bank and UNDP, is not a funding agency. The plan has been operational since 1999.

256. On the basis of information provided by the IAs and from examination of project documents and country assistance strategies, the OPS2 team concludes that the three IAs have made reasonable efforts to mainstream *global* environmental issues in their operational programs. Development assistance agencies such as the UNDP and the World Bank have made significant progress in helping countries assess *national* and *local* environmental issues and establish national and local priorities in national development strategies, programs, and projects.

257. The presence of the GEF has had the effect of broadening these country processes by bringing global environment issues to the attention of national policymakers and by informing public opinion. As noted above, both the UNDP and World Bank have made the commitment to mainstream GEF-related global environmental issues in their country dialogues. This is an important awareness-raising and educational process that may have substantial long-term effects. As yet, however, it is unclear the extent to which one can expect countries to be willing to include co-funding for GEF projects in discussions about funding allocations within their country programming frameworks with these agencies. The best possibilities will exist where there are strong win-win scenarios in which GEF-funded projects produce clear global environment benefits in tandem with substantial nationally prioritized development and environment benefits.

CO-FINANCING

258. Co-financing of GEF projects is critical because it brings additional resources to the goal of obtaining global environmental benefits and strengthening links between activities that address sustainable development issues and global environmental benefits.

259. Chapter 3, which presented results from the program studies prepared by the GEF monitoring and evaluation team, discussed the issue of planned co-financing under the different GEF focal areas. The cohort of projects under examination in the program studies comprised those that have completed implementation and others that are well into the implementation phase.

260. Co-financing can be measured at two levels: (i) the ratio of non-GEF resources to GEF resources, termed the total co-financing ratio and (ii) the ratio of implementing agency co-financing to GEF resources, termed the IA co-financing ratio. The former is an indicator of the total co-financing leverage, while the latter is one of the indicators of the extent of mainstreaming in the implementing agencies, as it reflects the commitment of IA resources.

261. The three IAs have widely different opportunities for generating co-financing for GEF projects. UNEP deals primarily with environmental activities and has little involvement with development finance. UNEP has been focusing on securing reasonable co-financing contributions from each government. The GEF Council has accepted that a proper understanding of the complementarity and additionality issues between UNEP-funded activities and GEF activities was essential to address effectively the expectations of funding leverage. UNDP, however, has considerable experience and expertise in development finance. Co-financing from both UNEP and UNDP take the form of grants. The World Bank Group is quite different. Its co-funding of GEF projects is not in the form of grants but Bank loans or IDA credits (soft loans) instead. It also has considerable experience mobilizing other sources of funding, including grants and soft loans.

262. The degree to which IA co-financing is directed towards global benefits or supporting associated sustainable development activities can also vary. UNDP and the World Bank may be able to co-finance both global environmental activities and sustainable development, while UNEP can be expected to focus on environmental activities. During its country visits, the OPS2 team encountered some queries about and objections to possible pressures being put on countries to agree to Bank loans associated with GEF projects. The main thrust of these arguments was that countries should not be asked to increase their external indebtedness for the sake of financing global benefits. On the other hand, the World Bank makes major contributions to funding sustainable development in its client countries. Co-financing for GEF projects in this context is associated with development activities that support efforts to achieve global environmental benefits. The World Bank also has considerable capacity to mobilize co-financing or parallel financing in the form of loans on soft terms (IDA) and grants, from sources other than the Bank or IDA, e.g., the environmental investment programs for Madagascar in the mid-1990s.

263. The database for reporting on co-financing in the GEF is surprisingly weak. The analysis below encountered serious problems in the interpretation of data in the absence of a clearly articulated and well-accepted definition of the term “co-financing” among the IAs and the GEF Secretariat. Here, the GEF Secretariat must take a lead. In particular, there is confusion about the relationship between co-financing as it is applied to funding sources included under the project budget and “associated funding,” which is inconsistently accounted for in this context. Furthermore, in some cases, co-financing data included amounts that related to the subsequent replication of project results. As will be discussed in the next section, replication is a very important matter for the GEF and needs to be monitored, but separately from actual co-financing.

264. Any further and more in-depth analysis of GEF co-financing will face the immediate need to sort out the inconsistent co-financing data currently reported by the various GEF entities.

265. Based on available data, the OPS2 team examined co-financing for (i) projects that completed implementation as of June 30, 2000, and (ii) planned co-financing during fiscal years 1991-2000.

COMPLETED PROJECTS

266. The OPS2 team first examined co-financing among the 95 projects that completed implementation as of June 30, 2000, comparing the planned co-financing against actual amounts that were realized. This cohort of projects consists largely of projects approved during the GEF Pilot Phase when the project review and approval process were not guided by an operational strategy or operational programs. The summary results in Tables 6.1 and 6.2 are based on data provided by the implementing agencies.

TABLE 6.1 PLANNED VS ACTUAL GEF AND NON-GEF RESOURCES FOR COMPLETED PROJECTS AS OF JUNE 30, 2000 (US\$ MILLIONS)

	UNDP	UNEP	World Bank	Total
Number of projects	46	12	37	95
Planned GEF funding	192.97	31.38	252.68	477.03
Actual GEF funding	190.47	31.08	238.89	460.44
Planned IA funding	0	1.07	344.6	345.67
Actual IA funding	1.5	1.08	198.68	201.26
Planned Other co-financing	113.99	8.19	1409.09	1531.27
Actual Other cofinancing	125.19	7.72	1266.46	1399.37
Planned Total Project	306.96	40.64	2006.37	2353.97
Actual Total Project	317.16	40.11	1694.34	2051.61
Planned Total co-financing Ratio	0.59	0.30	6.94	3.93
Actual Total co-financing Ratio	0.67	0.29	6.09	3.46
Planned IA co-financing ratio	0	0.03	1.36	0.72
Actual IA cofinancing ratio	0.01	0.03	0.83	0.44

TABLE 6.2 PLANNED VS ACTUAL GEF AND NON-GEF RESOURCES ACROSS FOCAL AREAS FOR COMPLETED PROJECTS AS OF JUNE 30, 2000 (US\$ MILLIONS)

	Biodiversity	Climate Change	International Waters	Multiple	Ozone	TOTAL
Number of Projects	44	28	15	2	6	95
Planned GEF funding	178.26	152.4	105.05	5.02	36.3	477.03
Actual GEF funding	172.37	148.3	105.19	0.69	33.89	460.44
Planned IA funding	4.82	325.3	15.55	0	0	345.67
Actual IA funding	1.93	183.8	15.53	0	0	201.26
Planned Other co-financing	52.83	1326.57	118.51	12.24	21.11	1531.26
Actual Other co-financing	63.75	1264	50.34	0.81	20.47	1399.37
Planned Total Project	235.92	1804.27	239.11	17.26	57.41	2353.97
Actual Total Project	228.92	1596.1	171.39	1.5	54.36	2051.61
Planned Total co-financing Ratio	0.32	10.84	1.28	2.44	0.58	3.93
Actual Total co-financing Ratio	0.33	9.76	0.63	1.17	0.60	3.46
Planned IA co-financing ratio	0.03	2.13	0.15	0	0	0.72
Actual IA cofinancing ratio	0.01	1.24	0.15	0	0	0.44

267. The implementing agencies had, through this cohort of projects, planned initially to leverage GEF resources by a factor of nearly four in the total co-financing ratio; commitments of their own resources were planned to total 72 percent of GEF resources (the IA co-financing ratio). Ultimately, the total leverage achieved was three and a half time GEF's commitments, while IA commitments of their resources equaled 44 percent of GEF resources.

268. As would be expected, among the three implementing agencies the World Bank has provided the largest amounts of its own resources and other co-financing in association with GEF projects. Analysis also shows that co-financing with resources of the implementing agencies is contained in a few projects—of the 95 projects, three (the *China Ship Waste Disposal*, *Mauritius Sugar Bio-Energy Technology*, and *Philippines Leyte/Luzon Geothermal* projects), all implemented through the World Bank, account for nearly all the IA resources actually committed.

269. In this cohort of projects, there have been significant shortfalls in IA co-financing. Parts of the projects involving Bank loans were not fully disbursed because projects components were cancelled by the borrower for various reasons; in addition, a project was closed due to unsatisfactory performance.

PLANNED CO-FINANCING DURING FY 1991-2000

270. The OPS2 team also looked at co-financing as it has been planned over the last 10 years of the GEF—from fiscal years 1991 to 2000. Table 6.3 is a time-series of co-financing ratios among the IAs based on preliminary financing data in documents submitted for GEF approval. Corresponding data on *actual* co-financing was not available to OPS2.

271. On the average, across the GEF, the IAs had planned to leverage GEF resources by a factor of 3 over the last 10 years, while the commitment of their own resources was planned to be about two-thirds of GEF resources.

Table 6.3. Planned Co-Financing Ratios in GEF-Approved Projects, Fiscal Years 1991-2001

Fiscal Year	UNDP		UNEP		World Bank		Multiple IAs		TOTAL GEF	
	Total Cofinancing Ratio	IA Cofinancing Ratio	Total Cofinancing Ratio	IA Cofinancing Ratio	Total Cofinancing Ratio	IA Cofinancing Ratio	Total Cofinancing Ratio	IA Cofinancing Ratio	Total Cofinancing Ratio	IA Cofinancing Ratio
1991	0.77	0	n/a	n/a	7.66	1.36	n/a	n/a	5.74	0.98
1992	0.49	0.00	0.26	0.00	4.93	1.75	n/a	n/a	2.95	0.97
1993	0.35	0.00	0.05	0.00	4.83	2.10	n/a	n/a	2.87	1.18
1994	0.42	0.00	0.25	0.00	n/a	n/a	n/a	n/a	0.35	0.00
1995	0.52	0.00	1.04	0.00	1.01	0.32	n/a	n/a	0.93	0.26
1996	0.48	0.02	0.06	0.00	3.86	0.30	n/a	n/a	3.10	0.24
1997	1.17	0.04	0.53	0.03	3.31	0.77	6.28	1.13	2.77	0.55
1998	1.39	0.18	0.43	0.00	6.29	1.49	0.93	0.04	3.89	0.85
1999	1.06	0.06	2.02	0.64	3.03	0.69	1.22	0.11	2.14	0.42
2000	1.20	0.05	1.17	0.09	4.95	1.56	0.23	0.02	3.27	0.90
Average	0.93	0.04	0.80	0.13	4.43	1.07	1.99	0.27	3.09	0.68

Cumulative FY91-FY00 (US\$ millions)	UNDP	UNEP	World Bank	Multiple IAs	TOTAL GEF
GEF Resources	910.93	100.10	1769.38	142.74	2923.14
IA Cofinancing	40.98	12.67	1884.96	38.99	1977.60
Other Cofinancing	808.41	67.79	5946.12	244.61	7066.94
Total Project	1760.32	180.56	9600.46	426.34	11967.68

Fiscal Year	Biodiversity		Climate Change		International Waters		Multiple Focal Areas		Ozone		TOTAL	
	Total Cofinancing Ratio	IA Cofinancing Ratio	Total Cofinancing Ratio	IA Cofinancing Ratio	Total Cofinancing Ratio	IA Cofinancing Ratio	Total Cofinancing Ratio	IA Cofinancing Ratio	Total Cofinancing Ratio	IA Cofinancing Ratio	Total Cofinancing Ratio	IA Cofinancing Ratio
1991	0.39	n/a	22.74	4.03	1.81	0.39	n/a	n/a	n/a	n/a	5.74	0.98
1992	0.90	0.54	5.80	1.78	0.54	n/a	0.27	n/a	n/a	n/a	2.95	0.97
1993	0.63	n/a	4.81	2.30	1.98	0.51	n/a	n/a	0.80	n/a	2.87	1.18
1994	0.25	n/a	n/a	N/a	0.42	n/a	n/a	n/a	n/a	n/a	0.35	0.00
1995	1.16	0.42	0.56	0.17	n/a	n/a	3.53	n/a	0.41	n/a	0.93	0.26
1996	1.42	0.03	4.62	0.22	1.45	0.93	0.00	n/a	0.91	n/a	3.10	0.24
1997	2.61	0.72	3.10	0.44	3.68	0.69	2.18	n/a	1.41	n/a	2.77	0.55
1998	2.15	0.31	7.30	1.80	1.18	0.23	1.17	n/a	0.43	0.003	3.89	0.85
1999	1.90	0.55	3.26	0.56	1.43	0.25	1.02	n/a	2.18	n/a	2.14	0.42
2000	1.64	0.30	5.98	1.81	0.85	0.04	1.58	0.72	0.10	0.005	3.27	0.90
Average	1.59	0.39	5.86	1.28	1.41	0.31	1.10	0.17	1.06	0.000	3.09	0.68

Cumulative FY91-FY00 (US\$ millions)	Biodiversity	Climate Change	International Waters	Multiple Focal Areas	Ozone	TOTAL GEF
GEF Resources	1169.76	1081.11	378.58	126.95	166.74	2923.14
IA Cofinancing	454.08	1384.75	117.70	21.00	0.07	1977.60
Other Cofinancing	1405.00	4950.40	415.97	118.5	177.07	7066.94
Total Project	3028.84	7416.26	912.25	266.45	343.88	11967.68

Source: All tables are prepared from the project database at GEF Secretariat. Fiscal years correspond to the year of GEF Council approval. Project cost and co-financing data are based on project proposals submitted for Council approval for entry into the work program.

Total co-financing ratio: Non-GEF project share/GEF contribution

IA co-financing ratio: IA project share/GEF contribution

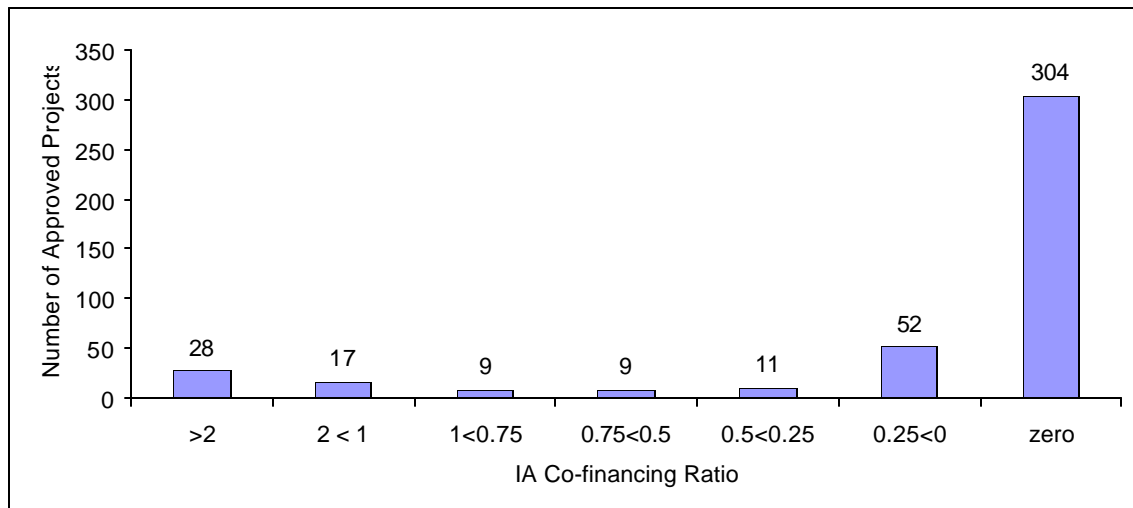
272. As expected, the data clearly shows that the World Bank planned to provide the largest leverage in co-financing by either of the measures. Though the proposed co-financing ratios for the World Bank fluctuate through the years, there is an upward trend. In terms of cumulative amounts over the last decade, the World Bank Group was to provide nearly 95 percent of the total planned IA co-financing, and more than 80 percent of co-financing from other sources for GEF projects.

273. Discussion and data on actual versus planned amounts of co-financing are absent from all GEF publications, including its annual reports. This is particularly noticeable when GEF's 2000 Annual Report presents planned co-financing data representing a considerably higher level of co-financing than what is reported by the IAs in their own publications (e.g., the World Bank's recent environment strategy). The difference seems to be caused by a numbers of factors involved in tracking co-financing and other data at the GEF Secretariat vis-à-vis the IAs. For example, the GEF Secretariat data refers to fiscal years and financing amounts that are associated with approval of projects by the GEF Council for work program inclusion, while the data at the IAs refers to fiscal years and the final amounts that are approved at the IAs. In addition, there are discrepancies in the way that the GEF Secretariat and IAs account for the total project cost. There also is confusion in some IAs between co-financing and replication effects. It is imperative that the Secretariat and the IAs/EAs synchronize their databases to ensure consistency in analysis and reporting.

274. While UNDP and UNEP planned to bring very little of their own resources to GEF projects, it is worth noting that clear efforts have been made in recent years by these two agencies to boost the level of planned *other* co-financing to GEF projects.

275. The planned IA co-finance leveraging is concentrated among a small number of projects. Of the 750 projects financed during the FY1991-2000 period, 624 projects have no IA co-financing; More than half of these (320 projects) are enabling activities eligible for "full cost financing" provided under expedited procedures for reporting to the conventions on climate change and biodiversity. Another 81 projects have IA co-financing ratios of less than 1, of which 52 projects have a ratio of less than 0.25; only 45 projects have an IA co-financing ratio greater than or equal to 1 (see Figure 6. 3).

Figure 6.3: Distribution of Planned IA Co-financing Ratio, FY 1991-2000



Note: There are an additional 320 enabling activities with zero IA financing as these are eligible for “full-cost” financing.

276. Among the focal areas, on the measures of both “other” and “IA funding,” planned co-financing leverage is the highest in the climate change focal area, followed by biodiversity and international waters.

277. The OPS2 team considers GEF’s overall performance on co-financing surprisingly modest, particularly since only a few projects account for most of the total co-financing generated under the completed projects.

278. As noted earlier, there was an expectation that IA mainstreaming of GEF activities would mean that the IAs would mobilize additional resources that would supplement (or provide additionality to) GEF grants. This could take different forms, such as committing IA co-financing, generating co-financing from other sources, and ensuring reasonable government/private sector contributions, whenever appropriate, to GEF projects.

279. The earlier expectations regarding GEF mainstreaming in the IAs, in which they would leverage significant IA co-financing for GEF projects, have some clear limitations. At a time when UN agencies generally face severe budget constraints, and when the external debt problems for many developing countries constrain their ability and willingness to assume the debt burden inherent in funding from the World Bank and regional development banks, it no longer seems realistic to assume that IA co-financing can become the main leverage for the GEF. Development agencies such as UNDP and the World Bank can, of course, provide associated development support. However, significant leveraging of funding for global objectives will have to come largely from other official and private sources of funding.

280. The OPS2 team concludes that while the IAs should continue to make strong efforts to provide co-financing to GEF projects from their own operational budgets, the conclusion of overriding importance for the GEF is that total co-financing levels for the

GEF portfolio must be improved. Each IA, and each new EA, should make it clear in the project documents how it will be accountable for bringing a significant level of total co-financing into each new project. The IAs should have some flexibility, though, in how they put together the various elements of the overall financing package for each GEF project.

281. As the GEF is now entering a new phase in its development, with an excess of demand for funds relative to funds available, it will be important to consider stricter criteria for co-financing as part of project approvals. Co-financing criteria need to be established for projects based on the focal area, the development status of the country, the size of the GEF portfolio in the country, the capacity of the country to attract other sources of financing, the implementing/executing agency, etc. Co-financing commitments and achievements will need to be systematically assessed and monitored, for instance, in all project completion, termination, and project reports, as well as in the annual interagency Project Implementation Review (PIR) process.

282. In this regard it would seem important to distinguish between GEF co-financing that extends global environmental benefits beyond those triggered by the GEF grants themselves and GEF co-financing that provides associated development support. The difference between these can vary substantially. On one end of the scale is co-financing which in its entirety is influenced by and incorporates GEF objectives. On the other end is a large sector operation, such as for the energy sector, where the GEF component is a strategically important component on its own but does not affect or influence the main results sought under the other components of the sector operation.

283. It is also important for the GEF to keep track of associated projects (i.e., similar projects financed by governments, other donors, or the private sector) to track the replication effects of GEF activities, which also indicate successful co-financing. In the case of several completed projects, such as in Hungary and Mauritius, follow-up activities that were significantly influenced by the GEF project produced results that contributed to replication—and the achievement of a wider impact of the GEF projects. However, as discussed below, it seems reasonable to conclude that such monitoring should be conducted as a separate and parallel exercise to that of co-financing.

REPLICATION

284. In addition to the mainstreaming and co-financing issues, one of the very important factors in assessing GEF's performance is its impact through the replication of GEF-funded projects under other financial and operational modalities. It is difficult to ascertain the extent of such replication since it is not being systematically monitored in the GEF. However, there is some encouraging evidence from several completed and ongoing projects. It should also be remembered that because completed projects are still few, it will take time before one can begin to monitor and assess replication effects.

285. The impact of the climate change portfolio projects will ultimately depend on the extent of replication. Since only 28 projects have been completed so far, the direct impact on global environmental objectives is limited. Some replication has been

documented. For example, the *Decentralized Wind Electric Power for Social and Economic Development* project in Mauritania and the *Promotion of Electricity Energy Efficiency* project in Thailand are resulting in replication within these countries. The *Poland Efficient Lighting Project* (PELP) has triggered a sustained decline in market prices of compact fluorescent lamps (CFLs), to the benefit of consumers, and increases in the market share of CFLs. The *Development of Coalbed Methane Resources in China* project has not only led to replication in China via a newly established intermediary institution and widespread dissemination of information about the technology internationally, but the project's sustainability seems assured as it led to the development of an apparently viable commercial company. Legal frameworks and legislation established as a result of GEF projects foster the future of project operation well beyond the life of GEF funding, as illustrated by the building code developed through the energy efficiency project in Senegal that will positively affect that country's building industries, if adequately enforced. Such examples are relatively rare in the GEF climate change portfolio, however, and the portfolio is still too young to accurately assess the extent of replication. Factors that might enhance replication in the climate change portfolio are discussed further below.

286. The contribution of a number of GEF biodiversity projects to global environmental benefits has attracted the positive attention of governments, conservationists, and local populations, which has led to some replication of GEF project activities elsewhere using both GEF and/or donor funding. Financing mechanisms such as the trust funds initiated in the Uganda *Bwindi Impenetrable National Park and Mgahinga Gorilla National Park* project has produced sustainable funding for GEF biodiversity projects in developing countries, where budget allocations for conservation is very low. In the Jordan *Conservation of the Dana and Azraq Protected Areas* project, the integrated approach to the management system developed for the reserve has been applied to all five other protected areas in the country. The positive lessons from the Southern Africa SABONET project for capacity development in taxonomy has been replicated in East Africa where the BOZONET project has been developed; similar initiatives are being replicated by international NGOs and organizations, such as the Nature Conservancy, WWF, IUCN, the Secretariat of the Pacific Commission, and the World Bank (Samoa MPA). Replication has also been witnessed at the local level, for example, in the East Africa Lake Victoria environmental management and cross-border biodiversity projects, and in-situ biodiversity conservation in Lebanon (*Strengthening of National Capacity and Grassroots In-Situ Conservation for Sustainable Biodiversity Protection*). In Samoa, where the *Marine Biodiversity Protection and Management* project has raised extensive community support, some villages are copying the project, and establishing their own marine protected areas (MPAs) and developing their own regulations—yielding a good example of replication of GEF activities at the local level.

287. The OPS2 team believes that replication of successful approaches should be facilitated by programmatic approaches and knowledge sharing between projects and other stakeholders. Pilot project demonstration activities implemented to demonstrate community-based involvement in reducing environmental degradation have been successful in harnessing the support of projects' main stakeholders (e.g., in the Bermejo River basin) and have potential for extensive replication.

288. The GEF needs to monitor systematically the replication of successful GEF activities. While awaiting evidence that mainstreaming, co-financing, and the replication of successful project results have made substantial progress, the focus on the private sector becomes even more strategically important for the future of the GEF.

RECOMMENDATION

289. *Each IA and new Executing Agency should be held responsible for generating significant additional resources to leverage GEF resources. A clear definition of co-financing and a set of strict co-financing criteria should be developed for different GEF project categories and country circumstances. The emphasis should be on the total amount of additional co-financing considered to constitute a significant and effective cost-sharing arrangement for each project, rather than on the quantity of co-financing forthcoming from an agency's operating programs and government contributions. Co-financing levels should be monitored and assessed annually through the interagency PIR process, as well as evaluated in the final project reports. The monitoring of replication of successful project activities should be established as a separate exercise in GEF.*

C. ENGAGING THE PRIVATE SECTOR

290. The OPS2 team finds encouraging evidence of GEF efforts to engage the private sector more extensively in its activities on behalf of the global environment. For example, OPS2 findings reveal that building private sector capacity in specific sectors played an important role in achieving objectives and significant global environmental benefits throughout ozone focal area projects. The Team also notes with approval the efforts of the GEF Secretariat to build direct partnerships with private sector entities; the efforts of UNDP to involve major companies in biodiversity conservation as co-funders, sources of advice and technical support, and as partners in the country-level policy dialogues conducted as part of the U.N. Secretary General's global compact; and the extensive efforts of the Bank and the IFC to catalyze private sector participation and investment within the climate portfolio, especially in the development and transformation of energy markets.

291. However, the OPS2 team finds that many opportunities remain unexploited and that many barriers exist that prevent a wider engagement of the private sector in GEF projects. At the same time, the Team believes there are powerful rationales for seeking such engagement on a substantially increased scale.

292. As indicated earlier, excess demand is likely to become an overwhelming fact of life for the GEF. Yet the Team finds that opportunities to leverage GEF funds in ways that could mobilize large amounts of additional private capital resources, especially for high-risk but potentially commercially viable projects in the climate portfolio, remain inadequately pursued. The mismatch between the long GEF project approval cycle and the often short time scale for private sector investment decisions is a significant barrier. Yet GEF Secretariat has not pursued a rapid response facility that the IFC proposed nor has it encouraged IAs and EAs with requisite financial skills to create or scale up other approaches using financial intermediaries.

293. In the biodiversity portfolio, conservation efforts in production landscapes are a growing priority, reflecting the predominance of this land use. In this context, engaging economic actors—from small farmers to commercial firms—will play a critical role, for which economic instruments and market transformation approaches are powerful tools. Yet GEF efforts to use these approaches within the biodiversity portfolio have so far been very limited, representing a largely untapped opportunity. Promising efforts to engage private sector interests in GEF projects in ecotourism and agro-forestry sectors should be encouraged; the OPS2 team believes there are also important opportunities to involve progressive private sector entities in GEF biodiversity conservation efforts in mining and commercial forestry. The OPS2 team also believes that private sector involvement will be equally critical in new GEF areas such as POPs and biosafety.

294. There are legitimate concerns about broad private sector participation in GEF projects, including concerns about subsidies or competition for scarce resources with government or NGO projects. Yet direct subsidies should be relatively rare. Such GEF support should be provided on a short-term basis and clearly targeted towards helping the private sector deal with the “incremental risks” associated with the potential investments that secure global environmental benefits. It must also be offered with a realistic understanding that such private sector engagement can soon become sustainable on its own.

295. The OPS2 team believes that other modalities are more effective, given that the need is to lower financial, technology, or policy risks faced by economic actors. A 1999 paper submitted to the GEF Council proposed a focus on removing barriers, using non-grant modalities such as contingent financing and guarantees, bankable feasibility studies, and direct long-term partnerships, including equity investments. Experiments now underway with many of these modalities suggest their value. The Team also believes that private sector involvement and investment will enlarge the total pool of resources for GEF projects and advance national development strategies. This highlights the need for public-private partnerships, which the GEF must proactively pursue when developing its work programs.

296. Private sector engagement also carries real financial and operational risks, since private sector entities are exposed to market fluctuations that can rapidly alter their investment and operational strategies. Nonetheless, the OPS2 team believes that the GEF should accept these risks because they are outweighed by the potential global environmental benefits.

297. Private sector capital flows to developing countries are substantial (if unevenly spread), and even local private sector investments play an increasingly major role in shaping land use and energy supply and demand. The OPS2 team believes that it is important for the GEF to expand its efforts to influence these investments in ways that create global environmental benefits. Moreover, most of the private sector involvement by the GEF has so far been in transitional economies. As a result, the poorer countries, which need the most help, are often left out. Thus it is essential for the GEF to provide financing that is consistent with the level of barriers needing to be removed in poorer countries.

298. Lingering concerns about the appropriate extent of private sector involvement in the GEF may themselves be a significant barrier. Council endorsement of expanded engagement of the private sector and explicit acceptance of the risks involved would help to remove uncertainties within the GEF.

299. Clear guidelines from the GEFSEC on new modalities would help, as would substantially increased GEFSEC staff expertise in relevant areas. (This will be discussed further in Chapter 7.) In the current efforts to formulate a GEF private sector strategy it will be important to consider what constitutes an adequate staff capacity in the GEF Secretariat for effectively engaging the private sector.

RECOMMENDATION

300. The GEF must place greater emphasis on sustainability and the potential for replication in project design and implementation. In particular, OPS2 recommends that the GEF should engage the private sector more effectively in all phases of the project cycle, including securing adequate GEF Secretariat expertise in this field. It should seek to create an enabling environment in which more specific, market-oriented strategies and expanded GEF operational modalities enable timely interaction with the private sector, thereby forming the basis for long-term sustainability of GEF activities.

D. PUBLIC INVOLVEMENT AND PARTICIPATION

301. Public involvement and effective stakeholder participation have been important features of the GEF since it was restructured. The 1996 Public Involvement Policy was a major policy development for the GEF. The operationalization of this policy has had three main outcomes:

- Processes for inclusive stakeholder participation in project operations
- Transparency through disclosure of operational information, including project documents, evaluation reports, and program lessons learned
- Enhanced consultation, including specific opportunities for civil society to communicate issues and influence the agenda of Council meetings.

302. Stakeholder participation is discussed below. In the multilateral system, the GEF has been providing leadership in establishing open access practices for making operational information available to the public. Its pioneering role in this respect includes making all Council documents freely available on its internet website. The OPS2 team compliments the GEF for setting up an information system that gives the public access to all project evaluations reports. It is possible that this novel approach among multilateral institutions has influenced other international institutions to follow suit or to consider it seriously. The GEF has also taken commendable steps to invite some NGO representatives, selected by their peers, to Council meetings and to encourage that senior staff from the GEF entities participate in NGO consultations, which are being regularly conducted immediately prior to each Council meeting.

303. The OPS1 concluded that the first phase of GEF projects witnessed the beginnings of the inclusion of local stakeholders in key project activities, noting the significant accomplishment of the issuance of GEF guidelines on stakeholder participation, and that trust funds, in particular, provided innovative opportunities for different stakeholders to work together at both policy and operational levels. However, the OPS1 team also found that careful monitoring and evaluation of implementation was still required. OPS1 therefore recommended that the GEF Secretariat should work with its IAs to develop quantitative and qualitative indicators of successful stakeholder involvement at different stages of the GEF project cycle, and to document best practices of stakeholder participation, by focal area.

304. When the GEF Council approved the Public Involvement Policy in 1996, it “requested the Secretariat to prepare operational guidelines as expeditiously as possible.”¹⁸ The 1999 PIR identified the need for full community involvement at all stages of project design, implementation, monitoring, and evaluation, together with an assessment of the broader political, social, and economic environment.¹⁹ All three IAs report with equal emphasis that this issue is crucial to project success. The OPS2 team endorses this view.

305. The OPS2 team’s examination of participation in the second operational phase of the GEF finds that while many projects are indeed addressing participation, particularly in areas where people and environment intersect most strongly (biodiversity and land degradation) and, in many instances, doing so meaningfully, there has as yet been no systematic collection of baseline data (both quantitative and qualitative) on participation against which progress can be monitored through assessment against agreed indicators. It is by no means evident either that stakeholder analysis routinely informs the participation approach, and thus to identifying appropriate, inclusive approaches to project implementation.

306. The OPS2 country visits found evidence of good participatory processes, benefit-sharing, and positive socioeconomic impacts from GEF projects in all the focal areas. The GEF has made significant progress in obtaining wider acceptance for disclosure of information among the IAs. Many GEF projects bring out encouraging evidence of stakeholder consultations. However, it is still difficult to assess stakeholder participation systematically. GEF projects would benefit from addressing socioeconomic and livelihoods issues more systematically and in greater depth, including in the application of participatory processes and through the development of appropriate monitoring indicators, so that both participation and sustainability issues may be addressed more effectively.

¹⁸ Joint Summary of the Chairs, April 2-4 GEF Council Meeting, Agenda Item 7, p. 8.

¹⁹ Cited in the PIR 2000 para. 48.

Box 6.1 EFFECTIVE PARTICIPATION DELIVERS RESULTS

The Reducing Biodiversity Loss at Selected Cross Border Sites in East Africa project commenced in 1998 and operates in Kenya, Tanzania, and Uganda. The project is a successful example of transboundary natural resource management. Project activities include sustainable management of forest and grazing resources that cross the Tanzania-Uganda border at Minziro-Sango Bay. This swamp forest, with adjacent wetlands in the Kagera River floodplain, covers a total ecosystem area of 849 km² including forest, swamp, and grassland.

Local communities in Bukoba District in Tanzania and Rakai District in Uganda were actively involved in project design and implementation. Local communities are organized into management groups with responsibility for protection of the forest and associated resources. District and village environment committees (DEC & VEC) in Tanzania and local environment committees (LEC) in Uganda have legal recognition and authority to manage the forest.

The Bukoba DEC closed the Minziro forest to logging as a result of awareness raised by the project and the alternative income-generating activities promoted by it. Key messages include reducing seasonal burning (grass is now seen as a valuable mulch for crops and thatching material); planting trees (the “10 indigenous trees per household” target to address supply side is well on track with nurseries, and planted trees and growing saplings are everywhere); and using improved stoves that burn 65 percent less fuel than traditional stoves (more than 3,000 built so far).

The work of the Environment Committees has resulted in reduced illegal logging in the forest – “we don’t hear pit saws any more,” one old man told OPS2 team members. Environment Committees are now empowered to be agents of change in each community – “we have become community mobilizers to protect our forest and improve our lives,” says the leader of Kassamya community. Land degradation is being arrested through the focus on forest conservation, fire management, tree planting, and extension of sustainable agriculture techniques.

Effective information dissemination during consultation for preparation and active participation in implementation allows communities to see links and tradeoffs between forest use and habitat protection, deforestation, and declining water resources. This enabled harmonized community planning, resource documentation, and analysis, which will lead to effective forest management plans. These activities demonstrate a strong sense of ownership and a “one team” culture between community, government staff, and project coordinators. There is a visible difference between unmanaged and managed forests in the project area. Local team members have learned to use forest management planning tools such as Conflict Mapping Matrices and Threat Reduction Assessment (TRA).

One of the reasons the project has succeeded is the active engagement of political leaders at the regional (East African Community), national (Political Focal Point/GEF Council Member) and district council scales. The strong sense of ownership developed in district governments augurs well for the sustainability of the project. Project success has led to project experience and key staff being invited to participate in the East African Community (EAC) Environment Committee, which generated changes in forest law and regulations.

307. Three of the four program studies noted that participation constituted a key element of successful projects. The Land Degradation Program Study concluded that people-focused projects tended to be strong projects. The International Waters Program Study found a number of innovative mechanisms for stakeholder participation among several international waters projects that facilitated the creation of local and regional bodies, the participation of the private sector, and, in many cases, led to measurable improvements in environmental indicators.

308. The Biodiversity Program Study stresses the importance of involving stakeholders at all stages of the project, and specifically considers such involvement a pre-condition for achieving many of the project activities. Implementation experience from the 78 projects examined within this study show that comprehensive stakeholder involvement took place in 30 percent of the projects and partial involvement in 20 percent. About 25

percent of the projects included plans for such involvement, but had no reported evidence that they had in fact been carried out. The remaining quarter of the projects had either poor or no participation. Overall, the OPS2 team agrees with the Program Study's conclusion that inadequate stakeholder participation in project design and implementation has inhibited the success of biodiversity projects in meeting their objectives.

309. Beneficiary participation is not emphasized in the Climate Change Program Study, except for those projects catering to rural energy needs. However, the GEF Project Implementation Review for 2000 identifies two major social impacts of GEF climate change strategies: (i) "adding to the social reservoirs of both expert and community awareness and knowledge" and (ii) "the demonstration of creative project approaches including impacts on an improved quality of life by bringing together mixes of government, business, community and other stakeholders."

310. Such conclusions, particularly the recognition of the importance of participatory processes in building successful projects, are welcome. However, it is clear that more remains to be done, particularly in terms of systematically assessing the experience on participation, including:

- Applying GEF guidelines on participation across the portfolio, and the extent to which different forms of participation are used, as appropriate, for different target groups
- Determining whether inclusive, ongoing participatory processes are followed in GEF-supported projects
- Generating more information on the quality of participation, from which lessons can be learned for sustainability and replicability.

311. GEF projects have used a variety of tools to create jobs, enhance incomes, and use resources sustainably. These include direct investment, subsidy, credit, conservation trusts, and alternative livelihood activities, often in innovative mixes. Matching up the short-term needs of local people for generating work, income, and economic progress with the long-term management of natural resources to capture local and global benefits is explicitly recognized in a number of projects in all four focal areas.

312. The trend towards the creation of new economic opportunities at the local level through implementation of environmental policies is an important component in advancing the GEF's global environmental mandate, as people become stakeholders in the true sense of the word, and as their livelihoods become more entwined with environmental sustainability than with environmental degradation. Evidence exists to show that the GEF can play a catalytic role toward achieving socioeconomic benefits in a mutually reinforcing manner. Examples of projects in the three main focal areas that achieve this have been previously referred to in Chapter 3.

313. The outcomes of many GEF-financed projects show increased awareness and understanding on the part of local people, decisionmakers, and politicians about the importance of global environment issues. This can lead to active participation of key stakeholders in activities to address these issues and deliver global environmental benefits.

314. The OPS2 team noted during their country visits that many line ministries showed awareness of global environment issues. In Brazil, for example, a range of stakeholders informed the OPS2 team that the GEF support had played a substantial, and in many instances critical, role in generating increased awareness of global environment issues, leading to successful project impacts and the mobilization of community and other resources. Similar comments were made in many other countries visited, including Jordan, Lebanon, Nepal, Samoa, and Uganda, where government officials reported that the GEF had raised the profile of global and national environmental issues in their countries. A number of politicians met by the OPS2 team during their country visits showed full awareness of GEF projects and the associated global environment issues in their countries and/or regions.

315. In terms of outreach activities, the OPS2 team noted during its country visits that most GEF projects in Africa have disseminated information on project activities and ways to manage global environment issues through education outreach programs, interpretation centers, signage, and newsletters. However, such activities were not routinely documented. A special case was found under the *South Africa Cape Peninsula Biodiversity Conservation* project (see Box 6.2).

Box 6.2 DOCUMENTED, PROACTIVE PUBLIC CONSULTATION

In the South Africa Cape Peninsula National Park project, whose Corporate Plan (June 1998) stated that "...we are committed to maintaining a culture of transparency through relevant information sharing and good communications with internal and external stakeholders," local and provincial government, business, organized labor, academic representatives, CBOs, and civic associations held regular, recorded meetings bimonthly and developed proactive outreach programs to communicate a common vision, policy, and 5-year strategic plan for the Park. Activities included media liaison, establishment of a database of 1,200 organizations and 800 individuals, capacity-building tours and workshops, joint discussion fora, and documentation of all public processes on video.

MEASURING STAKEHOLDER PERCEPTIONS OF PARTICIPATION

316. The OPS2 team used Goal Attainment Scaling (GAS) techniques to quantify stakeholder perceptions relating to participation in GEF projects.

317. GAS matrices were completed by 161 participants in OPS2 country visits—stakeholders in national and regional GEF projects who identified themselves as government institutions, executing agencies, NGOs, project participants, or project beneficiaries. These data are from non-systematic samples of participants in OPS2 country visits and are therefore not definitive. However, they do provide an indication of stakeholder perceptions to increase the rigor of findings from country visits. Detailed

data and analysis, including a summary of responses from stakeholders in national and regional GEF projects to GAS matrices relating to stakeholder participation, are presented in Annex 4.

CHART 6.1 SUMMARY OF STAKEHOLDER PERCEPTIONS - PARTICIPATION

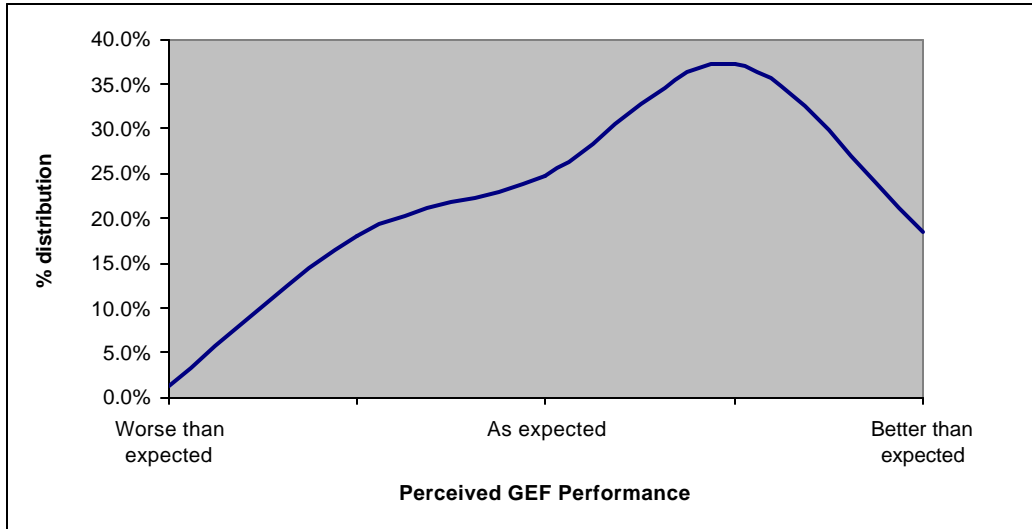
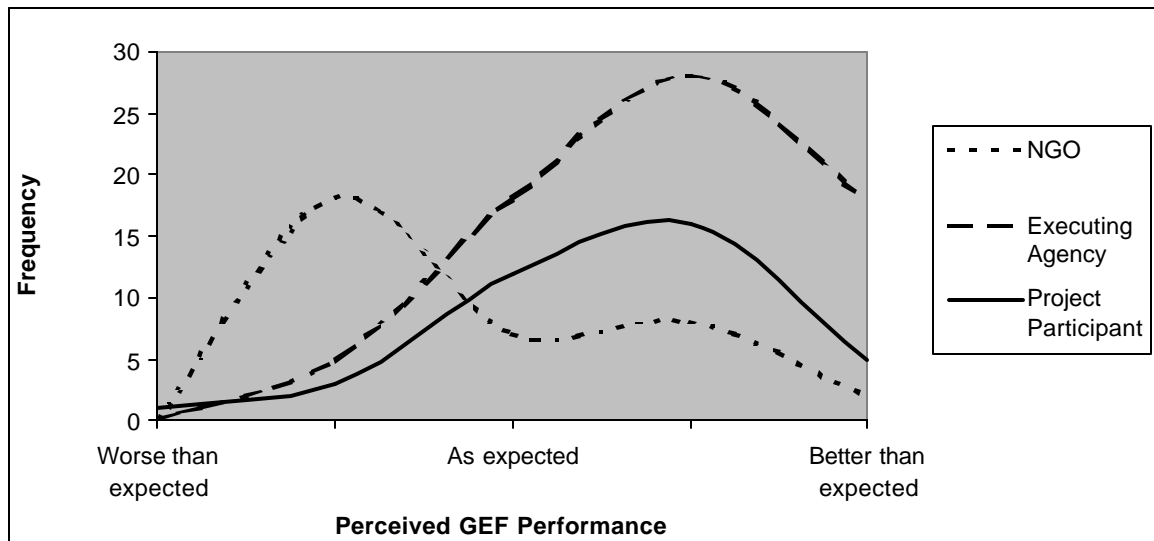


CHART 6.2 SUMMARY PERCEPTIONS OF PARTICIPATION BY STAKEHOLDER INSTITUTIONS



318. The GAS data presented in Charts 6.1 and 6.2 suggest that participation in GEF projects is being implemented largely as stakeholders expect. Executing agencies and participants in national and regional projects perceived that a range of government and civil society stakeholders participate in the GEF project preparation and also are actively involved in the GEF project implementation. These perceptions suggest that national and regional GEF projects meet stakeholder expectations for participation.

319. The GAS data highlighted some important differences in perception about participation. Despite the GEF's efforts to engage the NGO community, many NGO participants in OPS2 country visits perceived a limited participation of selected stakeholders in some GEF project activities. The GAS data presented in Annex 3 demonstrates the different perceptions of stakeholder participation by NGOs, executing agencies, and project participants. Significantly, country executing agencies and project participants responding to the OPS2 GAS survey had similar perceptions of participation in GEF projects. This reinforces the general perception gained during OPS2 country visits that GEF projects have had a positive impact on stakeholder participation. However, the different perception of some NGO stakeholders suggests the need for new or additional management responses from the GEF and its IA partners.

BROADENING THE BASE OF PUBLIC CONSULTATION

320. The importance of broad-based participation and ownership through the involvement of all relevant stakeholders is stressed in the PIR 2000.²⁰ GEF activities (e.g., in Jordan, Panama, and Senegal) have positively influenced a broadening in the base of public consultation (see Box 6.3). However, there remains a need to include the private sector as well as NGOs, and to recognize that the private sector consists of a range of entities, from large corporations to small rural enterprises, that will require different modalities of engagement. The same approaches cannot be successfully used for all stakeholders. Different projects call for different levels of stakeholder participation. This has implications for the introduction of a more systematized public involvement approach and for its documentation and measurement.

Box 6.3 DELEGATION OF DECISIONMAKING TO NGOS

The GEF has helped to develop an NGO culture in some countries in which NGOs are not usually highly accepted or encouraged by "officialdom." For example, decisionmaking related to the Small Grants Program (SGP) in Senegal has been delegated to an NGO coalition (CONGA), and efforts were made to set up co-management of parks and to provide decentralization of forest licensing. All stakeholders recognized the need for, and importance of, participatory approaches.

321. In Brazil, information technology has been successfully used in the climate change focal area to create a network involving more than 100 institutions (see Box 6.4). The availability of information in local languages is a key tool to facilitate participation,

²⁰ PIR 2000, p. 31, para 90.

transparency, and timely information dissemination. However, a remaining challenge in GEF activities, exemplified in Romania, is the need to improve communications between local and national level stakeholders, as well as to involve a broader range of stakeholders in both project preparation and implementation.

322. The inclusion of professional social development expertise in project implementation teams can lead to substantial results in terms of meaningful community participation: For example, the OPS2 team noted the positive impact of the appointment of a social scientist in the East Africa cross-border biodiversity project, where the number of participating communities almost doubled over a period of 3 years. On the other hand, where local participation in the development of an initial project concept and design is absent or weak, ownership also tends to be weak, and projects can miss opportunities identified by community participants, such as in the Uganda Mgahinga and Bwindi national parks project. Active participation by communities in implementation is important, but in order to sustain project activities, adaptive management and flexibility are also required. A mechanism for transferring such lessons from GEF project field experiences to stakeholders implementing or preparing GEF projects would contribute to enhanced sustainability and project relevance.

323. Inclusive, Ongoing Participation Stakeholder participation and gender-inclusive processes have not been integral to GEF projects relative to budget lines reflecting the processes, and thus allowing measures to be taken to address non-institutional and community stakeholder involvement, as well as that of government and NGOs. During OPS2 country visits, NGO regional consultations in Meso-America suggested that the GEF make funding available specifically for participation, to encourage governments to be more open in this regard, and to link financial criteria to genuine, ongoing stakeholder participation, with governments being held responsible for both documenting and reporting back on the process.

324. Where participation is integral to projects, there is frequently a lack of statistics on intended beneficiaries, which are not usually gender-disaggregated. Clearer lines of accountability, and common reporting systems across all IAs/EAs for ensuring that broad-based, inclusive participation is a feature of GEF projects, are required. Stakeholders must be clearly defined, and the term must be understood to include more than institutional stakeholders alone.

325. Where projects are working with institutions whose experience in stakeholder participation is limited, a set of common “good practice” guidelines, showing how to carry out stakeholder analysis and design and implement gender-aware, inclusive participatory processes would be helpful. Such guidelines should outline the tools, methodologies, best practices, and lessons learned from GEF and other relevant projects, as well as where to obtain further support.

326. The GEF Secretariat should strengthen its existing in-house capacity to strategically address social issues and to ensure that projects prepared by countries and IAs and EAs effectively address issues of inclusive participation, gender, and poverty alleviation, to deliver sustainable global environmental benefits (see Chapter 7).

327. Vulnerable Groups. Issues concerning vulnerable groups,²¹ including indigenous communities, are the subject of the particular operational policies of each IA, and are supplemented by the public involvement policy of the GEF. Specific guidelines for addressing indigenous peoples and involuntary resettlement issues in GEF projects are dealt with differently by each IA, but the main thrust is the same—to provide developmental safe guards for vulnerable groups of people. These guidelines have been the subject of extensive debate and in-depth examination in recent years, but remain an issue that is both sensitive and difficult to address, even in the case of quite explicit operational policies such as those of the World Bank Group.²²

328. The core of the GEF's overall mandate is to deliver global environmental benefits. Addressing the needs of the poor and the vulnerable through GEF-supported initiatives is one of the means towards achieving this end. Poverty-environment linkages are particularly strong in the focal areas of biodiversity and land degradation.

329. Certain direct opportunities for poverty-targeted interventions present themselves within the context of GEF's mandate. For example, climate change projects in Mexico and Bolivia, where government-designed "twinning" projects (under which institutional development partnerships are developed between a national institution and a supporting institution in another country) have invested in renewable energy by focusing on the poorest villages. Equally, the sustainable use approach to conserving biodiversity responds to environmental management goals through integrated conservation and development and through community-based natural resource management. These approaches become particularly important in the global commons and transboundary resources, where the issues of property and access become more challenging. In the focal area of waters, the open access fishery poses serious problems affecting poor coastal populations, which are among the poorest groups worldwide. In the area of climate change, poor rural households in a number of instances are assisted with credit in order to make renewable energy more affordable.

330. Indigenous Communities. GEF's project experience working with indigenous communities is concentrated in the biodiversity focal area. In accordance with Article 8(j) and related provisions of the Convention on Biological Diversity (CBD), the GEF's operational programs on biodiversity conservation and sustainable use contain activities that emphasize "the full and effective participation of indigenous and local communities." As of FY2000, GEF has provided direct funding of nearly \$203 million to 25 projects in which indigenous communities are actively involved in the design and implementation of biodiversity conservation and sustainable use activities. With co-financing, the total amount expected to be mobilized is about \$600 million, which is aimed at supporting over 100 different ethnic and tribal populations around the

²¹ Vulnerable groups cover indigenous communities, women, youth, and displaced populations. These broadly correspond to the international social issues (identified at the 2000 UN Social Summit in Geneva, 2000) (in the case of environmental refugees). Because of the issue of global public goods, populations affected by infectious diseases (especially HIV/AIDs) are defined as "vulnerable."

²² A case in point is that of Jamaica, where the proposed Cockpit Country Biodiversity project was eventually abandoned by the World Bank due to the sensitivity and difficulties surrounding an indigenous community issue.

developing world. However, there is little systematically documented information across projects on the quality of involvement with indigenous communities, though clearly some projects have addressed this issue substantively.

331. In Darien, Panama, for example, the main objective of the UNDP *Biodiversity Conservation in the Darien Region* project was the protection and conservation of the rich biodiversity of the remaining forests of Darien, through the development of local capacities and implementation of sustainable practices for the use of natural resources. To meet its key objective, the project tried to integrate elements of participatory sustainable development with efforts to strengthen management capacity of the protected area. The population of the province comes from three different ethnic groups (indigenous, Afro-colonial, and immigrants from the central provinces), which have different cultural backgrounds and production means. The human settlements in the province are occupied mainly in agricultural activities and to a lesser degree, cattle raising and some trade services; they are affected by significant poverty. Indigenous populations in particular suffer from the highest levels of extreme poverty. When the project's new execution phase began in 1999, the technical team faced high levels of mistrust by numerous local communities, as a result of the prevailing perception that commitments went unfulfilled in the previous cycle. Nonetheless, they were able to regain the confidence and interest of local inhabitants and reestablish credibility. Actions taken included implementing a successful microcredit program in three communities that strengthened community capacities and promoted the participation of women—providing an example of how (i) concentration on consolidation of internal organizational processes, accompanied by small financial stimuli, (ii) a series of well-designed activities through a participatory process linked to the revolving credit fund, and (iii) a training and follow-up program can have an important positive impact on attitudes.

332. The scale of medium-sized projects particularly assists civil society engagement, including that of indigenous communities. Community stakeholders are seen as key partners in MSP implementation. Their substantial contributions are in terms of time, indigenous knowledge, and local resources devoted to a project. Projects considered successful are those where local stakeholders have taken ownership of existing initiatives and future tasks. However, in MSPs as well, meaningful participation of indigenous communities is not easily achieved due to suspicion of outside support, arising both from past legacies of violence and the use of indigenous knowledge without permission. In particular, encroachment over ancestral lands has been so prevalent that achieving participation necessitates building capacity related to securing claims to the land and its resources. For all these reasons, the partnership between MSP executing agencies (mostly NGOs) and indigenous peoples should always proceed from a highly participatory process to build trust. This has implications for the sustainability of MSPs, since the empowerment of highly vulnerable groups requires a long lead time. A 3-year time horizon for projects can be considered unrealistic where indigenous groups are key partners, unless prior investments in building trust and ensuring meaningful modalities for participation have been carried out. Many GEF projects seek actively to address this issue.

333. A systematic sharing of information on project experiences would allow the GEF to benefit from, and share more widely, lessons learned from its fairly substantive—if uneven—engagements in this area. Both MSPs and the Small Grants Program have proved to be particularly responsive modalities for interaction with community-level stakeholders. Opportunities to capitalize on the sustainable development benefits clearly achievable through these project modalities should be optimized, including making better use of indigenous knowledge and related revenue sharing.

334. The OPS2 team concludes that there is a need for the GEF to produce systematic, documented information across projects on its involvement with indigenous communities.

RECOMMENDATION

335. An interagency task force should be organized by the GEF Secretariat for the purpose of developing an effective and systematic way to document information on stakeholder consultations and participation, including the involvement of indigenous communities, in GEF-funded projects.

E. ROLE OF NGOs AND LOCAL COMMUNITIES

336. The GEF's overall engagement with civil society partners (community-based organizations (CBOs), non government organizations (NGOs), scientific institutions, and the private sector) has been framed under the Public Involvement Policy, which requires the GEF to promote information dissemination, consultation, and stakeholder participation. The importance of the role of NGOs and CBOs in GEF programs has also been articulated in a number of other GEF policy documents: For example, the New Delhi Statement of the First GEF Assembly noted, "The GEF should increase consultations with NGOs and local communities concerning GEF activities; GEF should develop and implement an action plan to strengthen country-level coordination and promote genuine country ownership of GEF-financed activities, including the active involvement of local and regional experts and community groups in project design and implementation." In giving effect to this guidance, the GEF catalyzed the establishment of the GEF-NGO Network that serves as a consultative body as well as a channel of information to national civil society groups on GEF policies and programs.

337. NGOs have played a valuable role in the functioning of the GEF, ranging from policy analysis and project planning at the international level to project implementation and monitoring at the local level. Over 700 NGOs are participating actively—that is, receiving funding from GEF projects—in GEF activities as co-executing agents or service contractors. Of these, more than three-fourths are based in developing countries. International NGOs (INGOs) have been particularly effective when they have functioned in strong partnership with national and local NGOs and CBOs. INGOs have brought technical strengths to bear on projects, have assisted in securing co-financing, have supported capacity building for national NGOs, and been responsible for the establishment of medium-sized projects that provide a window of opportunity for NGOs to take the lead in implementing GEF programs.

338. While the OPS2 country visits found some notable examples of NGO achievements in furthering GEF goals, considerable additional opportunities remain for using NGO and CBO strengths more fully in GEF activities, including in mobilization of civil society support.

339. In most of the countries visited, the relationship between the GEF national focal points (NFPs) and NGOs was tenuous and unproductive. In some countries, NFPs had very little knowledge of the role that NGOs were expected to play in GEF programs. NGOs reported that NFPs often considered the official project endorsement required from governments to mean that GEF initiatives were essentially government-owned and that, in consequence, NGOs had no intrinsic right to participate in them. In one country, government endorsement for GEF projects was perceived as being used as a method for the exclusion of “unwelcome” NGOs.

340. During some country visits, the OPS2 team received complaints that NGOs were not kept adequately informed about GEF policies and procedures or GEF-related country priorities, and did not receive information on current and pipeline GEF projects. The NGO focal points system established by the GEF-NGO Network appears, with a few exceptions, to be ineffective in information dissemination. While the country dialogue workshops being organized by the GEF do address these information gaps to some extent, their effectiveness remains limited as long as they are one-off events that do not address the need for a system of ongoing internal communications between stakeholders and with the GEF.

341. The need for capacity development among national and local NGOs was expressed frequently to the OPS2 team. Lack of capacity—and resources—place national NGOs at a major disadvantage in preparing GEF project proposals. The extent of the empowerment and involvement of local NGOs and CBOs in GEF projects tends to reflect the culture of civil society involvement in the country’s nation-building efforts in general. For example, the OPS2 team found vigorous NGO networks involved in GEF programs in countries such as Brazil and Nepal on the one hand and a hesitant, nascent NGO presence in GEF programs in China on the other.

342. OPS 2 country visits have highlighted the important role that NGOs and CBOs have played in the GEF program with particular reference to the Small Grants Program and the medium-sized projects. The work of international NGOs and developing country NGOs in global environmental policy analysis and advocacy has been impressive, particularly that related to the work of the conventions. The OPS2 team feels that the degree of involvement of NGOs and CBOs in the planning, implementation, and monitoring of GEF projects is a key determinant of the effectiveness and sustainability in many of these projects. The GEF could further stress the importance of NGO and CBO participation in GEF operations during country dialogue exercises.

343. During its country visits, the OPS2 team was informed that the range of INGO in-country partners is often limited. The need for capacity development among both national and local NGOs was expressed frequently to the OPS2 team. Lack of required capacity—and resources—places national NGOs at a particular disadvantage in preparing

GEF project proposals. OPS2 identified few GEF-supported, in-country programs that provide technical support to NGOs.

F. PROJECT MODALITIES

SMALL GRANTS PROGRAM

344. The GEF Small Grants Program (SGP) is currently being implemented by the UNDP in 61 countries. The GEF/SGP is based on the rationale that global environmental problems can be addressed more sustainably when local people and communities are actively involved. Small, strategically targeted projects can contribute to solving global environmental problems while enhancing the livelihood security of local people.

345. The OPS2 team received very positive reports about the GEF/SGP in the countries they visited. National institutional arrangements for management of the program under the overall supervision of the UNDP are generally functioning effectively. National project portfolios include innovative and impressive projects characterized by strong stakeholder participation, and consistent with GEF operational programs. GEF/SGP has received strong support from relevant governmental agencies, academic institutions, NGOs, local governments, and community groups. National ownership of the GEF/SGP is reflected by the commitment to the program from in-country professionals represented on the national steering committees and the generally high quality of the national coordinators recruited under the program.

346. The main constraint faced by SGP relates to meeting non-grant management costs. The extremely stringent budgetary rules on management overheads allows little flexibility for the national coordinator to carry out adequate information services and provide research support for improving the program's focus and targeting and initiating proactive partnership building and cross-learning. This is particularly true of countries where co-financing for the SGP has not yet been successful.

347. While it is reasonable to expect that the overall impact on the global environment from the SGP will be small in the early stages, until the larger connections with the national environmental and sustainable development programs are fully developed, there is evidence that many of these projects deliver more favorable cost-benefit ratios than larger GEF projects. An important factor is the perceived relevance of the GEF/SGP for developing countries in the way in which it links global, national, and local-level issues through a transparent, strongly participatory, and country-driven approach to project planning, design, and implementation.

348. To the extent that the GEF/SGP projects have generated wide stakeholder participation, built local capacity in project management, successfully raised significant co-financing (in a number of cases from UNDP's development funds), and routinely involved income-generating activities, their chances of sustainability are good. However, it is important to ensure that the income-generating components of SGP projects are based on good feasibility studies and incorporate business-oriented management approaches.

349. The OPS2 team concurs with the conclusion of the Second Independent Evaluation of the GEF/SGP (1998) that the program occupies a unique and valuable niche within the GEF and that it would be appropriate for the GEF Small Grants Program to be expanded so that it is accessible in all countries that meet the criteria for its implementation.

MEDIUM-SIZED PROJECTS (MSPS) WITHIN THE GEF PORTFOLIO

350. Under the program approved by the GEF Council in April 1996, GEF's medium-sized projects (MSPs) were intended as a set of smaller and more rapidly "implementable" projects in comparison to GEF's full-sized projects (FSPs). The maximum funding ceiling for each project was originally \$750,000 but was later revised to \$1 million. MSPs were to have simplified approval procedures ("expedited procedures") that would encourage greater participation from non-official institutions and civil society groups, particularly NGOs.

351. As of June 30, 2001, GEF had approved 121 MSPs with a total outlay of \$90 million in GEF resources with \$125 million in co-financing. MSPs were subjected to a desk review by the GEF monitoring and evaluation unit in 1998 and a full evaluation in 2001 to provide an input to the work of the OPS2.

352. The MSP evaluation concluded that it was still too early in the implementation of the majority of MSPs (six out of 121 projects completed) to ascertain their precise impact on the global environment within the three focal areas. However, there are clear indicators of impressive progress in terms of capacity development, innovation and use of new methodologies, awareness raising, and prospects for sustainability. MSPs have leveraged significant co-financing, created conditions for replication, and have increased the profile of global environmental priorities and obligations within national government policy and planning processes. MSP projects have been particularly successful in creating synergy with sustainable development activities at the national level, including bringing about livelihood and income opportunities for key stakeholders.

353. The MSP evaluation acknowledges that though measurement is difficult it is very likely that the overall value/impact of GEF dollars invested in MSPs compares favorably with investments in many larger projects of either GEF or other donors, especially in the biodiversity focal area. OPS2 country visits have confirmed that MSPs have been impressive in attracting participation from a diverse range of stakeholders including government agencies, NGOs, community groups, research institutions, international organizations, and the private sector.

354. However, there have been widespread complaints from country partners in regard to the length of processing times for MSP proposals, suggesting that original expectations in respect to expedited processing have not been met. The 2001 Medium-Sized Projects Evaluation provided an analysis of the factors responsible for the extended and often erratic processing times and longer project cycles. These include:

- Variations in the capacities of the UNDP and the World Bank country offices to initiate and facilitate MSPs
- Delays in obtaining MSP endorsements from national operational focal points for NGO-executed projects
- The involvement of new and inexperienced country partners that require more extensive IA inputs to enable them to navigate through GEF program priorities and operational procedures (including the incremental cost calculation)
- Unclear and sometimes conflicting technical reviews from different sources in the IAs and the GEFSEC that have added considerably to processing time
- Adjustments in legal, procurement, and disbursement procedures of IAs to fit smaller projects in remote locations.

355. The OPS2 team endorses the recommendation of the 2001 Medium-Sized Projects Evaluation that “major bottlenecks and delays in MSP processing need to be tracked more closely so that GEFSEC and/or IA management can intervene and address problems as they arise.....A transparent tracking system should be established to enable project proponents and other interested parties to easily follow the status and progress of MSPs under preparation through the various stages of GEF review and approval.”

356. MSPs clearly form an important segment of the GEF project portfolio between the highly regarded GEF Small Grants Program that supports small, community-based initiatives and the full-sized projects that address larger national and regional level initiatives. MSPs are not only suited to major NGO-led initiatives, but also small countries, including small island states, that have found MSPs very appropriate for meeting many of their financing needs for making contributions to the global environment conventions.

357. The OPS2 team concludes that it is important that the GEF Council allocate adequate resources to this GEF mechanism. MSPs should be able to serve as spearheads for new, innovative, and participatory initiatives that could later be considered for larger scale and more widespread replication. This is particularly important in the immediate future when the competing demands for GEF resources far exceed supply.

TRUST FUND MECHANISMS

358. During its meetings with the IAs and with various country stakeholders, the OPS2 team encountered expressions of appreciation and praise for the GEF’s role in promoting and establishing long-term trust funds under GEF projects. Trust funds are innovative means of ensuring financial sustainability to projects and programs. Such a mechanism has the advantage over traditional project funding in that it can provide a very long timeline for its operations, thereby giving more long-term assurance, continuity, and predictability to funding for activities that require a longer development period than can be accommodated under the conventional project timeframe.

359. Trust funds involve legally set-aside assets (such as GEF grants) whose use is restricted to the specific purposes set out in the legal trust agreement. They can be financially structured in three different ways: *endowments*, whose funds are invested to

earn income (with only that earned income available for agreed purposes); *sinking funds*, which are designed to be dispersed over a fixed, usually long-term period; and *revolving funds*, which provide for the receipt of new resources on a regular basis, such as earmarked local taxes. A trust fund can combine one or all of these features.

360. As of the end of 1998, the GEF had funded seven trust funds within its biodiversity focal area. Most initiatives with conservation trust funds over the last decade have resulted from lead roles taken by non-governmental institutions. A recent GEF evaluation (Experience with Conservation Trust Funds, 1999, GEF) noted the main accomplishments of trust funds have included:

- Providing a basic “resource security” for operating protected areas
- Generating and managing financial resources over a long time period
- Encouraging the participation of civil society institutions
- Increasing scientific research applied to conservation issues
- Improving public awareness of conservation issues.

361. While there was some uncertainty regarding the long-term conservation impact of trust funds, they provide more continuity than other project financing modalities. The above evaluation points out that in order to succeed, trust funds require adequate governance structures and legal systems, staff, and technical support to allow them to proactively influence their environment; monitor their results and learn from experience; maintain credible and transparent procedures; and support participatory approaches.

362. The OPS2 team understood that the GEF had encountered difficulties in getting other sources of funding committed to provide co-financing for trust funds. The GEF cannot be expected to be sole supporter of such local funding mechanisms. This should not stop the GEF from trying further. In searching for innovative financial modalities, the GEF should be encouraged to continue promotion of such longer term operational approaches. Trust funds should not just be confined to the biodiversity focal area, since they can play a strategically important role for institution building more generally.

363. The GEF should proceed, on the basis of a strictly defined matching principle, to finance trust funds in which it becomes one of several financial backers, rather than their sole promoter. The OPS2 team would encourage the GEF to explore further the most effective ways to support trust funds in GEF operations in collaboration with other sources of funding.

G. GENERATION AND USE OF SCIENTIFIC KNOWLEDGE

364. The Scientific and Technical Advisory Panel (STAP) constitutes the central mechanism for providing the GEF with advice on science and technology issues. GEF recognizes the importance of mobilizing the wider scientific and technological community to help incorporate scientific inputs in GEF operations at the national and local levels, including the development of methods for assessing the efficacy of ongoing GEF operations. Indeed, STAP organized an international workshop in January 1999 on the theme “Integrating Science and Technology into GEF Work,” which focused

attention on how to establish a dialogue with the global and regional science and technology networks and what were the most appropriate mechanisms for involving the science and technology community at the national level in the different phases of the GEF project cycle. Despite the efforts of STAP, progress in engaging the scientific community at the national and regional levels remains limited.

365. The main activities in which GEF has successfully involved national scientific communities is in preparing reports to the conventions, particularly national inventories and national strategies and action plans. UNEP has focused special attention on mobilizing scientific support for global and regional monitoring and assessment exercises. On the other hand, the involvement of national science and technology communities in developing countries in a sustained way in the design and implementation of country-driven GEF projects is limited and non-systematic. While STAP does provide a conduit for interfacing with the wider science and technology networks, this is considered an inadequate mechanism because of a lack of supporting mechanisms at the regional and national levels.

366. By broadening and intensifying this partnership with the science and technology communities, GEF would not merely be making in-country project planning and implementation cost-effective and sustainable, it would build capacity that enabled developing countries to meet their obligations under the conventions. Expertise could be built in-country for developing and applying scientific indicators to measure project impacts in each of the GEF focal areas. Policy guidance should be given to the implementing agencies regarding how national science and technology communities could be encouraged to participate as key stakeholders in the project planning and implementation process.

367. The OPS2 team finds that country ownership of projects and global environmental issues is significantly enhanced when government engages the national scientific and technical community, as has been often the result in GEF enabling activities.

H. INFORMATION AND COMMUNICATION

368. Information and communication services (outreach) represent a relatively recent undertaking in the GEF. In the last 2 years, with Council support, the GEF has initiated a multipronged approach to its outreach and communications responsibilities that include country dialogue workshops, project or issue-based workshops organized in parallel with major convention meetings, preparation and dissemination of experience related to best practices and lessons learned, NGO-targeted information dissemination, use of national and international media, and the development and enhancement of the GEF website.

369. Yet during its country visits, the OPS2 team found that there was still little clarity or knowledge, even among key stakeholders, about GEF and its goals, structure, and program implementation modalities. Many of the results brought about by GEF funding were mostly known by their association with the implementing agencies. There was clearly a problem with the attribution of credit to GEF for achievements under the

program. The use of the GEF logo on GEF publications from the field and assets created out of GEF funding did not follow any systematic guidelines, resulting in greater prominence being given to the IA partners involved. The GEF website is valuable and comprehensive, but GEF cannot rely on member countries (and various GEF in-country stakeholders) being able to easily access the Internet.

370. For GEF, it is important that its main objectives and approach to global environmental issues be better understood in government (particularly through the operational focal points), and civil society (particularly among NGOs and the private sector).

371. The GEF needs to become more adept at spreading its messages in easily understandable information products, well beyond its present reliance on website services. Its visibility would be enhanced by launching flagship publications on the global environment on the basis of GEF's operational experiences and project results. As a demonstration of its commitment to shift the focus from project approvals to achieving high-quality results, the GEF should consider including a section in the GEF Annual Reports on the outcomes achieved under completed projects that have been evaluated during the year.

I. SHARING LESSONS LEARNED

372. The OPS2 team considers it important that cross-learning be strengthened and accelerated, so that GEF resources can be used more effectively. The Team also believes strongly that specific efforts should be made to encourage more systematic use of the results and outputs of GEF-funded projects for the improvement of national environmental plans and strategies. Each of the implementing agencies has their own systems for drawing lessons from operational experiences. The key point for the GEF is to encourage and facilitate more intensive interagency sharing of experiences relevant to the GEF.

373. The annual Project Implementation Reviews provide a useful forum for interagency sharing of experiences. But the GEF also needs to find more effective ways to share field experiences among in-country project officers and field staff, and thereby broaden the basis for drawing operational lessons. Furthermore, country-based managerial or technical staff with GEF implementation experience could be considered for consulting assignments under project mid-term reviews and final project evaluations for similar type projects in other countries. This could enhance the dissemination of GEF project lessons.

374. A notable result for the international waters area is that it is the only GEF focal area with an easily accessible and established mechanism, through IW:LEARN,²³ to carry out and promote the exchange of information, technologies, good practices, innovative instruments and policies, and lessons learned in general. In addition, in October 2000, the First GEF International Waters Conference took place in Bucharest.

²³ IW:LEARN is a project under the implementation of UNDP (*Strengthening Capacity for Global Knowledge Sharing in International Waters*).

the First GEF International Waters Conference took place in Bucharest. Conference attendees included present representatives from the IAs and the GEF Secretariat and GEF project participants. It provided a forum for exchanging experiences between GEF projects and for promoting collaboration to incorporate lessons, avoid duplication, and ensure efficiency.

375. The OPS2 team considers it important that cross-learning processes be strengthened and accelerated particularly on the interagency basis, within each project category.

J. LONG-TERM PROGRAMMATIC APPROACH

376. The GEF is considering introducing the programmatic approach into its set of different modalities. The basic outline of such an approach was articulated through an information paper presented at the May 2001 Council meeting, where the modality was described as providing “a longer term financial support through a country-based program, which would go beyond the scope of an individual project to support an integrated set of projects, funded through a phased, multiyear commitment.”²⁴ The GEF expects to pilot the approach in a few countries during the next 2-3 years. Such a joint approach will become even more important when new executing agencies and new focal areas are being added into the GEF’s expanding mandate.

377. The experience and capacities of the IAs is obviously important. Particular agencies, such as UNDP and the World Bank, are crucial partners in this regard. With effective mainstreaming of GEF objectives into their individual country dialogues, they can open important channels for long-term programmatic approaches. Some of the IAs have also been testing joint country exercises of this kind. The GEF-World Bank and UNDP collaboration on the China Climate Change Program has significantly enhanced GEF activities. All three IAs have experience with joint programming under several international waters projects, as in the Black Sea and Danube partnerships. The OPS2 team notes that both Mexico and South Africa are developing medium-term strategies for GEF funding in collaboration with local stakeholders.

378. Besides IA experience and capacity, a key precondition of such approaches is the credibility of the GEF, built up over a period of time through a set of GEF-funded projects perceived to be part of a country’s overall development strategy. A second precondition is local capability in effective program management and links with other sources of finance, including a clear commitment of domestic financial resources. A third precondition is the commitment and willingness of agencies to work across sectoral ministries and boundaries to integrate and mainstream global environmental issues into national planning and development processes. A basic foundation for all this should be a high level of national political and financial commitment to the environment, and in particular, to the proposed program.

²⁴ Council Paper GEF/C.17/Inf.11, The GEF Programmatic Approach: Current Understandings, April 2001 GEF Council Meeting.

379. The OPS2 team supports the GEF strategy of piloting the programmatic approach in a few countries by building on IA experiences and focusing on those where there is a significant portfolio and/or pipeline of GEF-funded activities. One important point is that a programmatic approach should not be pursued on a piecemeal basis by each IA, nor by the GEF Secretariat alone, but should involve all key GEF partners in a joint exercise with the national operational focal point and other key stakeholders in the country, all coordinated by the GEF Secretariat.

VII. INSTITUTIONAL AND MANAGEMENT ISSUES

380. The central theme of OPS2 is the assessments of the results and impacts achieved in completed and ongoing GEF projects. While the OPS2 team was not requested to evaluate the institutional and legal issues affecting the future of GEF, it was asked to consider how GEF institutional structures and relationships have facilitated or impeded the attainment of results. During its work with the GEF Secretariat, the implementing agencies, STAP, the new executing agencies, country officials, NGOs, and other stakeholders, the OPS2 team has tried to assess the impacts of GEF's institutional structure, and the division of roles and responsibilities between GEF entities, on project implementation, content and quality of the GEF portfolio, and the recent streamlining of the GEF project cycle (see GEF Council document GEF/C.16/5). In this context, the Team also considered how expanding the GEF, to include new executing agencies, is affecting its programming efforts and coordination between GEF entities.

381. The GEF is a novel multilateral organizational arrangement that embodies institutional partnerships at different levels and dimensions, facilitated by the GEF Council and Secretariat, and builds on the comparative strengths of the different partner entities. The first level of partnership is among the Council, GEF Secretariat, and the three implementing agencies—UNDP, UNEP, and the World Bank—given their significant roles in the evolution of the GEF and in operational program development, preparation and implementation of GEF-financed activities, and monitoring and evaluation. The World Bank acts as the Trustee to the GEF Trust Fund and provides administrative support to the GEF Secretariat.

382. During earlier phases of the GEF, considerable problems of coordination between the GEF Secretariat and the three implementing agencies were reported. Given the fledgling character of this new financial facility and its innovative nature, such problems were inevitable. The concepts of global environmental benefits and incremental costs were new and had not yet been tested operationally. As a source of funding, the GEF emerged at a time when OECD country contributions to UNDP and UNEP core funding were declining and when the World Bank faced limitations to further growth in its lending. A new grant facility of this magnitude inevitably attracted much interest within the implementing agencies. It is not surprising that considerable competition for GEF resources arose.

383. In this situation, the Secretariat and the IAs attempted to ensure that this competition was constructive and that the resulting outcome supported both the interests of country partners and the objectives of the GEF Operational Strategy and operational programs. In recent years, relations have become more cooperative and harmonious between these four primary entities of the GEF. All of them reported to the OPS2 team that progress had been made in this respect.

384. However, several factors are going to test the capacity of the GEF in the coming years. An increasing number of convention-related tasks fall within the GEF's mandate. The GEF has been requested to handle new responsibilities by the UNFCCC and the Stockholm Convention on POPs. The GEF Council is considering introducing land degradation as a focal area. The portfolio under implementation is growing very rapidly. There are currently more than 200 projects, not including enabling activities, under active implementation. The GEF has therefore become a multiconvention financing mechanism, with growing responsibilities under each of them. The current trajectory of the GEF suggests that in the near future the demand for its resources will increase significantly. Its resources are far short of immediate demand. A growing number of countries have an increasing understanding of the GEF and knowledge of the possibilities of marrying global environmental benefits with sustainable development objectives.

385. As GEF's mandate has been expanding, the nature of the global economy has changed. The roles of the private sector and civil society in managing the global commons have become more pronounced. Most recently, it has been agreed that GEF operating arrangements will be expanded to include seven executing agencies as well as the existing three implementing agencies. The strategic and coordination roles of the Secretariat will therefore continue to grow in importance over the next few years.

INSTITUTIONAL RELATIONS WITH THE CONVENTIONS

386. As noted in Chapter 2, in GEF's role as the financial mechanism of the conventions, it responds to guidance received from the conventions by developing appropriate operational programs and criteria for funding. The GEF Secretariat plays the lead role in executing this function in cooperation with the implementing agencies and STAP. The GEF CEO, on behalf of the GEF Council, reports regularly to the relevant Conference of the Parties.

387. The GEF Secretariat works closely with the appropriate Convention Secretariat on technical matters relating to the interpretation of convention guidance. As the OPS2 team has noted, GEF's response to convention guidance has been pragmatic and generally satisfactory. The current sharing of responsibilities among the GEF entities is appropriate and sound, and should continue. The coordinating role of the GEF Secretariat becomes even more important as the GEF becomes the financial mechanism for more conventions. The OPS2 team would like to emphasize that clear communication and consistency in COP guidance regarding GEF priorities would enhance the timeliness and quality of GEF responses.

388. The Team finds that, as the only multiconvention financial facility, it is appropriate for GEF to be open to considering the inclusion of new convention-related focal areas. However, in such cases, it should take up consultations with each Convention to make sure that it does not overburden GEF's limited resources, particularly with respect to new protocols and areas of support. If new activities need to be introduced and prioritized, and if no new resources are being made available, then the conventions should be encouraged to identify current convention-related activities that no longer have the same priority and can therefore be discontinued or reduced in scope. This

must be part of a two-way dialogue that is reflected in GEF's regular reporting to the COPs.

389. A rapidly expanding number of convention-related meetings and consultations requiring the presence of GEF Secretariat staff is taking up a major part of its annual work program and budget. Representatives of the GEF Secretariat are expected to participate in a growing number of substantive meetings related to the conventions. The travel costs of staff in the GEF Secretariat for participation in convention-related meetings increased about 50 percent in FY01 as compared with the FY00. Such costs absorbed 37 percent of total travel expenses for the GEF Secretariat in FY00 and accounts for 49 percent in FY01.

390. Still, as noted in Chapter 4, from an institutional perspective, it is important for the GEF to address the challenge of connecting GEF operational focal points effectively with the convention focal points at the country level so that reporting on GEF projects and their results are included in the national reporting to the conventions. Because the GEF's main institutional mandate is to serve as financial mechanisms for the conventions, it is obviously important for those who provide funding to the GEF to expect that the conventions' ultimate clients, the country recipients of such support, will articulate their views and judgment on GEF's effectiveness, not just to the GEF Council and other GEF entities, but also to the convention bodies that provide guidance to the GEF. The level of GEF replenishments will very likely be influenced by the reporting of the recipient countries at convention-related meetings.

391. The OPS2 team finds it important that the GEF Secretariat continues to take a lead role in carrying out the various functions relating to the conventions. This institutional task is likely to increase substantially in the years ahead, and it is important that the GEF Secretariat has adequate staff and budget resources to carry out these tasks effectively and efficiently.

RELATIONS WITH COUNTRIES

392. The conclusions from Chapter 5 also have significant institutional implications. The GEF needs to focus on strengthening the operational focal points in each country. This will entail proactive efforts by the GEF Secretariat as well as the IAs to provide regular, up-to-date information on the project pipeline and the status of the GEF portfolio in each country. It will also involve making available specific funding to facilitate in-country portfolio-related workshops, in parallel with the ongoing country dialogue workshops, which focus on fostering broader awareness of GEF policies and procedures.

393. The GEF operational focal point should be able to function as the main facilitator for such coordination of the GEF program in country. How this task is to be organized and established should be the country's own responsibility, but the GEF can provide support to help increase the effectiveness of operational focal points and strengthen their communication with the country's convention focal points, with the goal of enhancing substantially the efficiency of GEF interventions. The OPS2 team has concluded that the GEF Secretariat must lead this coordination effort, together with other GEF entities, to

the extent that they are engaged in GEF operational activities in that country. Such a role would involve the GEF Secretariat in a new lead function and require the establishment of a new and separate unit (Country Support Team) in the GEF Secretariat to support the operational focal points. These positions should be filled by staff possessing adequate regional knowledge and language skills and the capacity to provide effective, prompt operational processing; procedural guidance; and information support services.

394. Currently, the GEF Secretariat has neither the staff capacity nor the budgetary resources to establish effective support services for the operational focal points. The OPS2 team concludes that the lack of such support is a major weakness in the present GEF system. Hence, the Team would encourage the GEF Council to give this matter immediate attention.

TECHNICAL AND OPERATIONAL CAPACITIES IN THE IAS AND EAS

395. The roles of the three IAs have been crucial in the GEF's operational achievements. They have made extensive technical contributions to the various focal areas and cross-cutting themes. Each has provided technical expertise and operational experience based on their comparative advantages. Their continued strong involvement in GEF operations will be important for the future of GEF, as it also expands to include new executing agencies. However, in the view of the Team, no single IA can on its own absorb all of the present and planned GEF functions. Neither can the GEF Secretariat manage these functions on its own. Each entity is a critical partner for ensuring that the GEF evolves effectively to meet expanded operational challenges.

396. One of the encouraging findings of OPS2 was the existence of a larger number of GEF-committed staff within the IAs. They are deeply motivated by GEF objectives and often work exceptionally hard to overcome processing problems and project design complexities. IA representatives frequently stressed to the OPS2 team that such staff contributions could be maintained and developed further only with a reasonably predictable sense in the medium-term future of the funding levels of GEF activities, around which IAs could plan. The Team considers such an approach feasible and believes GEF can derive a common "indicative planning" framework, which can reasonably predict resource availability over the medium-term future.

397. The OPS2 team considers it feasible to arrive at such rolling, medium-term agreements, say, on a 3-year basis, which would be linked to indicators for strategic relevance, programmatic consistency, expected outcomes, and annually adjusted for changes emerging from expressed country priorities. This should be accommodated within the GEF Corporate Business Plan.

398. The new executing agencies will occupy a distinctive level of partnership to prepare and implement GEF-financed activities. They will add a welcome dimension to GEF's capabilities in fulfilling country needs, but also will stimulate increased competition for GEF funding and more complex country and interagency coordination. Besides the overall institutional "due diligence" examination, which has been or is being conducted for each EA, it is also very important that an additional (second step)

institutional examination be conducted for each EA to determine its technical and operational capacity to serve GEF effectively within each GEF focal area. A gradual and selective approach would seem appropriate. Their comparative strengths for GEF-related tasks should be carefully examined with respect to areas where the agencies demonstrate fully satisfactory, GEF-relevant, operational capacity to help countries produce effective implementation results. However, once the GEF has ascertained this specific operational capacity, the new executing agencies should be enabled to access the GEF work program and become directly accountable to the GEF Council.

CAPACITY TO ENGAGE THE PRIVATE SECTOR

399. As noted in Chapter 6, the OPS2 team has concluded that it is important for the GEF to become more actively involved in engaging the private sector. One of the operational principles of the GEF emphasizes its catalytic role and leveraging of additional financing from other sources. The private sector can obviously make a substantial contribution in this respect. In particular, it will often have a key role in the replication of GEF project results. GEF's capacity to engage the private sector thus becomes a critical issue. OPS2 would encourage the GEF Secretariat, in partnership with the implementing and executing agencies, to take a lead role in creating an interagency task force which can help to develop more specific, market-oriented strategies to attract private sector partnerships and to tailor GEF operational modalities to enable timely interaction with the private sector in developing policies and strategies to engage the private sector effectively.

400. The GEF Secretariat has made slow progress in recruiting senior staff with private sector expertise. The CEO has been participating in dialogues with various private sector representatives and corporate leaders, but there is scope for strengthening the institutional relationships between the GEF and the private sector in general, beyond the linkages available through the IFC. Lessons can be drawn from examples of GEF activities that already involve private sector actors. The OPS2 team considers it important for the GEF Secretariat to add strong professional capacity with broad private sector experience, including experience from developing countries. In addition this can be achieved by attracting seconded staff from the private sector on a temporary and rotational basis. Furthermore, expertise may be drawn from within the IAs, particularly the IFC and the new EAs, particularly the regional development banks. The very recent recruitment in the GEF Secretariat of a professional with private sector expertise is an encouraging step. Under current efforts to formulate a GEF private sector strategy, it will be important to examine further the scope of private sector capacity needed within the GEF to achieve its global environmental goals.

THE ROLE OF THE STAP

401. The Scientific and Technical Advisory Panel (STAP) has an essential role to play in grounding GEF programs and projects in the best available scientific information. However, the present system of providing scientific advice to the GEF is not working well. Indeed, discussions with the STAP members, the STAP Secretariat, the GEF

Secretariat, and IAs suggest that virtually no part of the GEF family is fully satisfied with present arrangements.

402. There is general agreement that the STAP performs three basic roles:

- Providing strategic advice to the GEF on a wide range of issues, including the formulation of new OPs
- Providing selective reviews of specific projects during implementation and after completion, when requested
- Developing and maintaining a roster of experts that agencies can call on for assistance with project reviews during the project design stage.

Strategic Advice

403. By common agreement, the STAP's most important role is providing scientific guidance in the development of operational programs. The OPS2 team finds that providing strategic advice is an absolutely critical role for the STAP and that structural changes discussed below are needed to strengthen its ability to fulfill this function.

Selective Reviews

404. The OPS2 team generally believes that STAP should be used quite selectively to perform this role, but the STAP does offer a useful perspective not limited to natural science or engineering questions.

Project Reviews

405. Use of the STAP roster of experts to perform project reviews, as the system now functions, raises questions about the utility and appropriateness of the reviews. While the reviews are generally reported to be of good quality, as appraised by the STAP and the IAs, the review system nonetheless needs to be strengthened. Reviews occur relatively late in the project design cycle (typically just prior to submission for Council approval), are often done very quickly, and draw on a small fraction of the roster. It is striking that 77 percent of the experts in the roster have never been used for reviews. Most reviews are performed by experts from developed countries, although the percentage of reviews from developing country experts has risen significantly in recent years to about 28 percent.

406. Moreover, despite an elaborate quality control process on reviews, the process has virtually never resulted in experts being removed from the roster. Indeed, there is no systematic pruning of the roster, raising questions about its quality and relevance to the evolving GEF program. The OPS2 team is concerned that project reviews, as currently performed, function as an obligatory but sometimes meaningless check-off and do not make the best use of the expertise represented by the STAP roster, even though reviews are clearly sometimes useful to the IAs. Repeated use of the same reviewers and the fact that 25 percent of the reviews are evaluated as less-than-good reviews indicate that the system needs improvement. The STAP itself shared with OPS2 team its view that the STAP project review step comes too late in the project design cycle to be optimal and that brief reviews were sometimes superficial.

407. As a result, the OPS2 team finds that the STAP review component in the project cycle should be substantially changed. The STAP roster needs major pruning and upgrading. The Team also finds that experts from the roster could contribute more if their role was more participatory and consultative than judgmental and if they could provide a science and technology perspective at an early, conceptual stage of project design with continuing feedback through the project cycle to the extent needed. The OPS2 team notes with approval the suggestion from STAP of involving two members of the roster, at least one from a developing country, in each project review, to ensure a breadth of perspective. The OPS2 team would encourage STAP project reviews to be evaluated regularly as part of overall reports on each completed GEF project to assess the reviews' value.

STAP Structural Issues

408. The OPS2 team found widespread agreement that coordination between the STAP Secretariat and the rest of the GEF has been problematic. The Team notes with approval the UNEP decision to move the STAP Secretariat to Washington, D.C., which may improve coordination between the STAP Secretariat and the GEF Secretariat.

409. A more important structural issue arises from the current practice of appointing the STAP membership all at the same time and for the same term. The OPS2 team finds that this has led to loss of institutional memory and a lengthy learning curve for each new STAP. Consequently, OPS2 findings have generated the suggestion that STAP members should be appointed for staggered terms. The Team believes that this structural change would tend to improve communication and management issues.

RECOMMENDATION

410. *To strengthen the GEF system for providing science and technology inputs, OPS2 recommends appointing STAP members for staggered terms, exploring with STAP members mechanisms for improving the use of in-country scientific and technical expertise within the GEF, and seeking STAP recommendations for appropriate changes to improve the project review system and to enhance the utility of the roster of experts.*

THE GEF PROCESSES FOR PROJECT APPROVAL AND START-UP

411. Since its inception, numerous complaints have been raised about the lengthy and time-consuming processes for preparing and implementing GEF projects. During the OPS2 country visits and NGO consultations, concerns were continually raised about lengthy GEF procedures for appraising and approving project proposals. IA staff in country offices, government officials, and other project stakeholders perceived the project review process to be excessively layered with multiple reviews at IA headquarters and in the GEF Secretariat.

412. These concerns have both institutional and managerial implications. The concerns raised had to do with the same authority—in the GEF Secretariat and at IA headquarters—producing multiple sets of comments without effective coordination of their internal consistency, and with different views often expressed when new staff were assigned to a specific project or new sets of comments coming subsequently from the

same supervising or advisory source indicating new viewpoints and new formats for presenting project proposals and final reports. Such problems can be addressed through improved management practices and more clarity about the institutional roles within the GEF.

413. However, the OPS2 team noted that many of projects with lengthy design and preparation were also considered better projects because time had been taken to plan them very carefully. By their very nature, GEF projects are seldom straightforward or “simple.” Quite the contrary, they are often fairly complex and require considerable time to explore various technical options and experimental designs, as well as considerable stakeholder consultations, in many cases. Therefore GEF regular projects cannot necessarily be expected to fit comfortably into “fast track” processing procedures, in which they may lose quality-enhancing preparatory steps. Improvements sought to enable shorter timeframes for project processing therefore must be balanced between procedures necessary to ensure project quality and those that are poorly coordinated and potentially duplicate and overlap existing institutional functions.

414. These matters have been a source of ongoing concern since the beginning of GEF. Project processing times are frequently addressed during various interagency consultations. The annual GEF Project Performance Reports have analyzed data on the average time taken from GEF approval to start of project implementation. For the larger investment-type projects undertaken by the World Bank, there was some reduction in the time needed to process projects in 1998 and 1999 but, in 2000, it increased to about the same level as in 1997—an average of about 700 days. This recent increase was explained by a large standard deviation caused in part by a few exceptionally difficult projects. Some reduction in time was achieved by UNDP and UNEP—to a level of 362 days and 339 days, respectively, in 2000.

415. The OPS2 team found it difficult to draw firm conclusions from this data since they do not easily lend themselves to interagency comparisons. Given the complex nature of regular (full-sized) GEF projects and the need for careful preparations and consultations, it is not obvious that substantial improvements can be achieved in reducing the processing time. It is well understood that project designs containing very demanding objectives, such as global benefits, cannot be expected to move speedily through the review system without running some risk of reducing project quality.

416. However, there seems to be room for some improvement in the management system and project review procedures in both the GEF Secretariat and the IAs. The GEF should be encouraged to undertake a more in-depth review of processing time in each annual Project Performance Review. The OPS2 team finds that this is an issue which must be addressed more thoroughly in the GEF. There is scope for achieving improvements. There is also a need for current approval timeframes to be better explained at the country level.

417. Processing times for approving medium-sized projects (MSPs) present opportunities for more immediate improvements. These projects were expected to require much shorter processing times than regular GEF projects, but this has not materialized.

Elapsed time from project identification to submission of the briefs to the GEF Secretariat is, on average, 342 days for UNEP and 566 days for UNDP. The OPS2 team noted the following assessment from the recent evaluation of MSPs:

“While there have been improvements in processing over time, MSPs have clearly not been *expedited*. Reality has fallen far short of the expectations that MSPs would be a relatively fast-moving and flexible funding opportunity. GEFSEC expected that it would take about 6 months between the time a project concept was approved and project implementation could begin. In practice, the average has been over 2 years, with several projects taking 3 or 4 years. Even this figure does not include the substantial time often required to prepare a project concept to the satisfaction of both GEFSEC and the IAs, which has varied from a few months to over 2 years.”

418. The OPS2 team concludes that more efforts should be devoted to reviewing the processing procedures and process management in the GEF. There seems to be scope to improve the time needed for processing regular GEF projects; that is even more true for processing MSPs. The latter should receive high priority for immediate corrective action.

INFORMATION AND COMMUNICATION

419. The GEF Secretariat focuses on corporate-level awareness raising, and it uses as its fora the convention-related and other international meetings, speeches by the CEO, and publications documenting GEF results and impacts. The implementing agencies focus on outreach and information at the project level. However, the OPS2 visits have revealed that the implementing agencies have little incentive to give credit to the GEF for operational achievements—there is a widespread tendency for the implementing agencies to omit giving credit to the GEF and rather emphasize their own role in the projects. As a result, the GEF suffers from poor visibility, even on projects that it fully funds.

420. Country stakeholders do not find it easy to understand the GEF’s goals, objectives, and operational modalities, particularly its essential emphasis on global environmental benefits and incremental cost financing. Good information products from the GEF would help to alleviate the prevailing misconceptions and misunderstandings about GEF’s mandate and processes. Furthermore, GEF information products must be produced and made available in all UN languages. The current overwhelming reliance by the GEF on English language products may be for cost-saving reasons, but it is quite unsatisfactory in the larger context of its global program.

421. The GEF website is valuable and effective, but the GEF cannot rely on member countries to satisfy their main information needs from this one source. Print, CD-ROM, and visual media products are also essential. While easily accessible in more developed countries, Internet access is not only much more difficult in many developing countries, but also involves considerable costs, which may not be easily met at the country level, especially by NGOs. While the digital divide among rich and poor nations is being gradually bridged, there remain considerable obstacles, including the need to change and adapt GEF communication policies to compensate for the absence of easy and low-cost

use of the Internet in developing countries. Public sector agencies, educational institutions, and local community organizations are particularly vulnerable in this respect.

422. The Secretariat should lead this work, in cooperation with the implementing agencies and new executing agencies. There should be a clear understanding between the different entities of the GEF about how information about global environmental issues and the GEF will be disseminated during project development and implementation. To demonstrate its commitment to shifting the emphasis from project approvals to high-quality results, it would seem appropriate for GEF annual reports to include a section on project outcomes emerging from the evaluations of completed projects conducted during the year. The GEF Instrument includes text requesting that such reporting should be included in GEF Annual Reports.

PARTNERSHIPS TO MANAGE FOR QUALITY AND FUNDING SCARCITY

423. Given the excess demand for GEF resources and the new operational programs and responsibilities being entrusted to the GEF, there is a need for a new management paradigm for managing and allocating scarce GEF resources to deliver the greatest possible global environmental benefit. This requires an active partnership between all GEF entities throughout the project cycle—recognizing the comparative advantages of each in particular areas. Such collaboration throughout the project cycle will enable continuous improvement: well-informed programming, preparation, and implementation that balances global environmental benefits and the sustainable development needs of countries and monitoring and evaluation that shares program and project information.

424. The 1999 Project Performance Report recommended a transition from an approvals focus to a results-based culture. The OPS2 team endorses that move, and recommends a subsequent transition for GEF: from a results focus to a quality-based culture. This would be an effective way to manage excess demand for GEF resources and ensure that the GEF delivers global environmental benefits. To successfully develop a results- and quality-culture that delivers global environmental benefits, the GEF Council needs to address:

- The results-based relationship between the GEF Secretariat and IAs
- The fee system for project implementation
- Monitoring and evaluation functions
- GEF Secretariat roles and responsibilities
- A strengthened institutional status for the GEF.

RESULTS-BASED RELATIONSHIP BETWEEN THE GEF SECRETARIAT AND IAS

425. The GEF is a unique experiment in interagency collaboration among important agencies in the UN system and the Bretton Woods system. This multilateral system in general is not well known for successful attempts at such interagency collaboration in operational matters. The OPS2 team considers the GEF to be an encouraging example of constructive interagency cooperation. While many problems have been encountered and there has been considerable frustration at times, the GEF nonetheless has demonstrated important results, which often can be attributed to effective collaboration between agencies with different institutional purposes and processes.

426. While the GEF system has performed well overall, the OPS2 team has identified room for some further specific improvements in its organizational structure and interrelationships—and in its management and staffing functions.

427. The implementing agencies should continue to be mainly responsible for project implementation, but also must be open to, and appreciate, the strategic and practical value of active GEF Secretariat participation in monitoring the main strategic and programmatic goals during GEF project implementation. More field-level experience will also have a positive impact on the professional capacities of the GEF Secretariat staff in interpreting programming criteria and providing strategic guidance on project concepts.

428. There must also be opportunities for close coordination during project evaluations because the difficult task of gaining knowledge and sharing experience about how to best achieve positive results for the global environment could be more successfully carried out through a collaborative approach.

429. At the same time, there is scope for the Secretariat to reduce its involvement in detailed project reviews prior to work program entry and final project approval. As part of the creative partnership approach that the OPS2 considers important for GEF project development and implementation, responsibility for some of this upfront review work may be shifted over to the IAs, with the understanding that the Secretariat can then reprogram capacity that is freed up to become more involved in supporting partnership tasks during project implementation and evaluation.

430. It is encouraging to note that this idea has been discussed informally within the GEF and seems broadly acceptable to the current GEF entities. At a GEF senior management retreat held in June 2000, the Secretariat and the implementing agencies agreed on a set of actions to expedite project processing and shift the focus towards implementation. Under this principle, the Secretariat review during project preparation would focus on strategic matters relevant to the GEF and not on technical matters; the implementing agencies would be responsible for ensuring that projects meet GEF review criteria. In exchange, the Secretariat would have a strategic role in reviews of project implementation beyond the annual PIR exercise. Many of the elements of a plan to expedite project processing were approved by the Council at its meeting in November 2000.

RECOMMENDATION

431. *The GEF should manage delivery of global environmental benefits by initiating a institution-wide shift from an approval culture to one that emphasizes quality and results. This should be achieved through a partnership approach that expands the use of interagency task forces to address program and policy issues and adopts broader teamwork practices to support project implementation and evaluation.*

FEE SYSTEM FOR PROJECT IMPLEMENTATION

432. The GEF Secretariat has a specific responsibility to the Council for ensuring that GEF resources are used to achieve results in an appropriate and cost-effective manner. The Council in turn oversees GEF institutional costs, and is responsible for keeping them under close scrutiny.

433. The GEF Council adopted the fee-based system in May 1999—an innovative mechanism that compensates the IAs for costs incurred during project preparation and implementation. In the 2 fiscal years since July 1999, GEF has approved 282 projects for total GEF grants of \$991 million. These projects carried IA fees totaling \$82 million, equivalent to 8.3 percent of total grants approved in that period. A benchmarking study presented to Council in May 2000 found that GEF’s project cost management practices were adequately and effectively methodical, rigorous, and demanding and, furthermore, that GEF’s flat-fee structure is neither unreasonable nor inappropriate. An independent evaluation of the fee system is scheduled to take place in 2002.

434. IAs and government focal points consulted during OPS2 country visits and regional consultations consistently raised concerns about a widespread lack of understanding of the fee system for GEF projects. Many of these concerns related to accountability and transparency. The OPS2 team also noted that IA offices in some locations seemed to regard GEF fees as a useful additional source of non-earmarked funding. There are several examples of project delays caused by bickering between UNDP, UNEP, or the World Bank over fees and “rights” to projects.

435. The OPS2 team finds that the current fee system should address at least three key management functions—keeping institutional costs under careful control, allocating resources in an open and transparent manner, and assuring, through associated service agreements, that all parties concerned clearly understand what services will be provided to GEF project clients and what results can be expected.

436. The Team has identified a number of opportunities to strengthen the fee system to ensure that GEF projects are effectively and efficiently implemented:

- Accountability could be ensured by adopting output-based fee payments that are phased through the life of the project and linked to specific project milestones or outputs under an implementation service agreement.

- Transparency could be enhanced by making fees paid to IAs for project implementation a clear and integral component of project budgets, and thus accounted for and evaluated like other project components. There is an opportunity to benchmark the efficiency and effectiveness of IA performance by consulting with project participants, executing agencies, and project beneficiaries. Although fees have so far been largely the business of the IAs and the GEF Secretariat, a more transparent approach would increase the sense of partnership and create an appreciation for the roles and responsibilities of all stakeholders in GEF projects.
- Competition might be addressed by encouraging the implementing agencies and the executing agencies to create cost-effective project approaches that are consistent with national priorities. Where the IAs, EAs, and client governments choose to subcontract some project implementation services, there are expanded opportunities to enhance positive competition by involving the private sector and NGOs, as well as other project executing institutions.

437. Because IAs only earn fees for implementing projects approved by the GEF Council, their engagements during the identification and preparation stages of the project cycle carry a degree of risk. The Project Preparation and Development Facility (PDF) modality recognizes this to some extent, but some IAs and other GEF stakeholders expressed concerns to the OPS2 team that the upfront perception of risks discourages innovative project design and execution that focuses on delivering global environmental benefits. The existing modalities could address this concern by explicitly encouraging innovation and offering special fees in association with PDF grants to IAs for innovative project design that addresses priority operational-program objectives and delivers global environmental benefits. Fees should be transparently identified with reference to each project, be subject to audit, and be evaluated, to allow comparisons with other project-related costs.

438. The effectiveness of IA performance in GEF project implementation could be further strengthened by the GEF Secretariat, IAs, and EAs negotiating a standard set of tasks to be performed by IAs and EAs with fee resources. In addition, an output-based approach to fee payments could be used with fee payments phased over the life of the project using two or three payments linked to specific project milestones and outputs linked to the standard set of tasks performed by IAs or EAs.

RECOMMENDATION

439. *In response to the concerns raised when the GEF was established regarding cost efficiency, accountability for services provided, and monitoring of overhead costs, OPS2 recommends two measures: (i) establishing a standard set of tasks to be performed by the IAs with fee resources and (ii) adopting a simple output-based fee payment system for IAs using two or three payments that are phased through the life of a project and linked to specific project milestones.*

MONITORING AND EVALUATION

440. Effective monitoring and evaluation is central to a quality culture because of its contribution to continuous improvement. The GEF monitoring and evaluation unit should strengthen its information dissemination and institutional linkages with IAs and operational focal points to enhance its support of three tasks: adaptive management at a project scale, portfolio management at a program scale, and a continuous improvement process at an institutional scale.

441. The GEF Secretariat and implementing agencies have monitoring and evaluation roles that reflect their respective portfolio management and project implementation responsibilities. The objectives and core activities of the GEF monitoring and evaluation unit are spelled out in the framework and work program for the GEF monitoring, evaluation, and dissemination activities.²⁵ Its functions are to guide decisionmaking on improvements in program management, including adjustments and amendments to policies, strategies, procedures, and projects; to account for resource use relative to objectives; to document and disseminate lessons learned; and to assess results and impacts.

442. The respective roles and responsibilities for monitoring and evaluation among the GEF Secretariat and implementing agencies need to be revisited. There is an opportunity to develop a better understanding between the GEF Secretariat and IAs for a partnership approach to program and project evaluation responsibilities. The GEF monitoring and evaluation team at the Secretariat operates principally at the program scale but uses selected project-scale evaluations as case studies to inform program evaluations. The GEF has published several program evaluations—most notably in climate change. Projects are routinely monitored and evaluated by implementing agencies, at mid-term and project completion.

443. Currently, there are no regular procedures or processes that enable partnerships between the GEF Secretariat and IAs for mid-term reviews and project evaluations. Good teamwork should be encouraged among the GEF partners to ensure that these activities follow well-focused design and planning steps and that their outcomes bring out the key GEF objectives pursued under each project. The monitoring and evaluation team at the GEF Secretariat should maintain full responsibility for program evaluation, but should also have a strategic and participatory role in mid-term project reviews and the evaluation of completed projects, without undermining the overall IA responsibility for project implementation.

444. Annual Project Implementation Reviews are an important tool to account for resource use relative to objectives. The GEF monitoring and evaluation team will continue to prepare these but could consider involving more actively the country operational focal points to provide participatory inputs to the IAs' annual reporting to the GEF Secretariat. Such an approach would strengthen the linkage between project reviews

²⁵ GEF/C.8/4/Rev. 1

and project implementation and would support adaptive management for continuous improvement.

445. GEF has successfully documented the results and lessons learned from monitoring and evaluation of its investments. However, while some interesting progress has been made, e.g., as a result of the *Poland Efficient Lighting* project, there is not yet much systematic evidence that the GEF Secretariat or IAs, let alone country partners, fully reflect and act on lessons learned documents or other publications stemming from the program evaluation and selected project indicators. There is obviously a time-lag effect before this becomes apparent but there seems to be a need to link more effectively the evaluation findings with management activities.

446. There is an opportunity to effectively use the existing networks of IAs, executing agencies, and operational focal points to disseminate this information where it is relevant to other projects and countries. Such an approach would strengthen the linkage between the GEF monitoring and evaluation unit and other actors in the project cycle—especially operational focal points, IAs, and executing agencies—helping ensure that lessons learned are reflected in the design and management of new GEF investments.

447. The GEF monitoring and evaluation team has initiated innovative and thorough activities to assess results and impacts. It needs to strengthen this work by focusing on program evaluation—predominantly assessing the effectiveness of GEF investments. A portfolio approach (assessing allocation and performance of investments by sector, focal area, or thematic categories) could be added to the existing techniques to better reflect modern investment practices and generate guidance on allocating scarce GEF resources to the best possible use.

448. Care should be taken to ensure that the monitoring and evaluation work is well balanced between conducting intensive in-depth studies and undertaking assessments that monitor more immediate program achievements and provide short-term responses to key indicators for achieving GEF results. One such task is to enable and ensure annual reporting on project outcomes in the GEF Annual Report, a task which is identified in the 1994 GEF Instrument, but which has so far not been carried out. This task goes beyond the current annual Project Implementation Reviews in that it would enable a careful and balanced presentation of project outcomes as presented in project termination and completion reports and final project evaluations.

RECOMMENDATION

449. With due respect for the IAs' overall responsibility for project implementation and evaluation, the GEF Council should strengthen and expand the monitoring and evaluation functions of the GEF M&E unit so that it can play a supporting partnership role in mid-term reviews and project evaluations, particularly by providing advice on TORs for mid-term reviews and final project evaluations, contributing to the review of each of these reports, reviewing and compiling the results reported from project evaluations, and arranging adequate feedback to all GEF partners.

ROLES AND RESPONSIBILITIES OF THE GEF SECRETARIAT

450. An important thrust of this report is to promote an active partnership approach in all phases of GEF's operational activities. This has direct implications for the capacity of the GEF Secretariat, which must have the competence and capability to make constructive contributions to the implementing or executing agencies during the implementation and evaluation phases of the GEF project cycle. Such operational participation can occur in different ways; the GEF Secretariat could provide guidance on key GEF objectives (e.g., ensuring global environmental benefits) by contributing to the formulation of tasks set under TORs and by participating selectively in field missions for mid-term project reviews. It must provide the overall assurance as to whether the actual project outcomes effectively and explicitly address the global environmental objectives that are the main focus of GEF's mandate.

451. Furthermore, the OPS2 team considers it important that evaluation work include staff from the focal area and thematic teams in addition to the staff from the monitoring and evaluation unit itself. It is self-evident that staff capacity to provide advice and guidance during the early phases of project cycle (project concept and work program entry approval) will be substantially strengthened by their participation in such exercises. The evaluations offer opportunities to learn, at the end of the project, about the realities of field-level conditions and the development context as well as gain a good operational understanding of the extent to which the global benefits have been achieved.

452. Some concerns were expressed to the OPS2 team about the capacity of the GEF to define sufficiently and promote global environmental benefits. Since its inception, the GEF Secretariat has been small and well focused. With the expansion and realignment of its present functions, as discussed above, it is obvious that the GEF Secretariat is presently severely understaffed to carry out both its present and proposed new functions. The OPS2 team concludes that a careful work program and budgeting assessment should look at the GEF Secretariat's expanded role and growing functions, so that a more precise recommendation on staffing requirements can be made to the Council. Furthermore, the skill mix and composition of the GEF Secretariat staff should be assessed. An assessment should be conducted of appropriate training programs and how they can be complemented with opportunities for gaining practical field experience. Staff rotation between the GEF Secretariat and the implementing agencies should also be considered.

453. Efforts to strengthen capacities in the GEF Secretariat must clarify roles and responsibilities and address improved coordination, recruitment, and staff training, as well as the need for new positions. Opportunities are now emerging for recruiting staff with actual operational experience from GEF projects and other GEF-related activities, a situation which did not exist when GEF came into being. The OPS2 team notes that management training is already provided to all of its team leaders.

454. For the GEF Secretariat, an important question would be whether staff time saved as a result of processing improvements (such as reducing the involvement of the GEF Secretariat in detailed project reviews prior to project approval) yields staff capacity that

can then be used for GEF Secretariat involvement during project implementation. Some savings of this kind can be realized but the OPS2 team does not consider it realistic to assume that the likely staff time saved would allow much opportunity for the Secretariat staff to participate in recommended partnership tasks during project implementation. Staffing levels in the GEF Secretariat will have to be increased for it to fulfill a useful implementation function and serve its expanded role in regard to both existing and new conventions and new focal areas, as well as strengthen country programming and coordination.

455. This leads to an overall conclusion that there is an immediate need for more staff positions in the GEF Secretariat. The OPS2 team is not able to present a detailed plan in this regard. Instead a two-step approach is suggested. First, immediate action seems warranted on establishing a Country Support Team in the GEF Secretariat. Second, this should be followed by a careful reassessment of the work programming and budgetary implications arising from the findings and recommendations in this report.

456. The GEF has been fortunate to benefit from very able and adept leadership since its beginning. With a relatively modest budget allocated to the Secretariat, it has been possible to build up a core of very motivated and able staff and spearhead many important catalytic functions that have contributed to GEF's cumulative achievements. In this process with continual new and expanding tasks, the senior management capacity has been stretched and would now benefit from some external advice on the effectiveness of management systems related to recruitment, staff development, work programming, and coordination among the various units in the Secretariat and on the most efficient way to delegate responsibility among senior managers, including team leaders.

457. The OPS2 team was informed about an internal management review conducted by external management consultants in 1997 and would recommend that a new management review be carried out by an external management consulting group to update findings from the 1997 exercise and also assess current management systems and future management needs in light of the emerging expanded role and responsibilities of the GEF Secretariat.

RECOMMENDATION

458. *The GEF Council should commit to strengthening the professional resources and management capacities of the GEF Secretariat in the following key areas:*

- *Establishing a separate unit (Country Support Team) that possesses adequate regional knowledge, language capacity, and the competence to provide the national operational focal points, in close collaboration with the IAs and the EAs, with effective, prompt policy and procedural guidance*
- *Strengthening its capacity to develop and communicate operational modalities that can effectively engage the private sector, including the recruitment of*

relevant private sector expertise and arrangement of secondments from the IAs/IFC or the external private sector

- *Requesting a special human resources planning exercise, including work programming and budget implications, of the proposed and expanding functions of the GEF Secretariat to give the GEF Council more precise recommendations regarding staffing needs*
- *Contracting an external management review of current management systems and future management needs in the GEF Secretariat.*

STRENGTHENING THE INSTITUTIONAL STATUS OF THE GEF

459. The GEF was established as a pilot program by a resolution of the executive directors of the World Bank and with related interagency arrangements between the UNDP, UNEP, and the World Bank. Since the GEF was restructured in 1994 and a functionally independent GEF Secretariat was established, the World Bank has continued to be the Trustee of the GEF Trust Fund. Thus, in legal terms, and in the eyes of many observers, GEF remains very closely linked to the World Bank.

460. The OPS2 team considered this issue from the perspective of GEF's mission and its long-term functional efficiency. Serving global environment objectives and responding to the guidance of the international environment conventions is a long-term task, which will continue to require substantive contributions from the implementing agencies and other international institutions. However, it also requires the GEF Secretariat to play an increasingly active role in ensuring that the various partnerships produce the most efficient and cost-effective results to meet GEF's global environmental objectives.

461. It is our view, based on the GEF Secretariat's experience and results so far, that the GEF would increase its effectiveness and visibility and carry out its challenging strategic tasks more successfully if the institutional status of the GEF was better recognized. Giving it some form of legal recognition or autonomy without undermining the key partnerships formed with the implementing agencies warrants consideration. It seems particularly timely to do so now in light of the growing demands for GEF funds because of a rapidly increasing project pipeline.

462. The need to strengthen the GEF institutionally is driven by many factors mentioned earlier—including the expanding operational programs, the growing workload in dealing with new conventions and protocols, the inclusion of new institutional partners, such as the seven executing agencies, and the need to help GEF eligible member countries achieve effective country coordination

463. The activities funded by the GEF are beginning to provide results and influence factors that facilitate global environmental management. GEF has supported the conventions effectively and has sought to respond to requirements from member countries. These tasks are likely to expand substantially in the next few years requiring,

we believe, a strong institutional presence by the GEF in the global community. Mainstreaming of global environmental issues in the IAs is showing results and will be pursued further. However, this will not reduce the need for the GEF to have a stronger institutional structure. GEF is responsible for the complex task of translating and transforming convention guidance into projects that will yield viable results and impacts in recipient countries. Based on the performance of GEF so far, and its new and expanding functions in the future, it is very timely to consider a significant strengthening of the institutional structure of the GEF.

464. As the GEF moves into its next phase, the shifts suggested above are crucial to ensure that the benefits achieved so far are sustained and enhanced and that the GEF progresses to the next level in its maturation. The existing partnerships that have formed the bulwark of the GEF's success need to continue, and be strengthened, with some clarification of roles and adjustments to accommodate new partners. The OPS2 team concludes that this evolution of growing institutional responsibilities should be centered on a stronger role for the GEF Secretariat within the GEF.

RECOMMENDATION

465. To support GEF's evolution to a quality- and results-oriented institutional culture and to ensure that new demands on the GEF are effectively addressed, OPS2 recommends that the institutional structure of the GEF be strengthened and that, towards this end, the GEF Council consider a review of options to strengthen GEF's institutional structure, including providing it with a separate legal status.

VIII. MAIN CONCLUSIONS AND KEY RECOMMENDATIONS

INTRODUCTION

466. Throughout this report, a number of findings, conclusions, and recommendations have been presented. This chapter summarizes the main conclusions of OPS2 and lists the 14 key recommendations set forth in earlier chapters.

467. At the outset of this evaluation task, the OPS2 team was asked to assess the performance of GEF, particularly whether its projects have produced results that are significant in a global context. The GEF portfolio is still young, with 95 completed projects, 41 of which had evaluation reports available for use by the OPS2 team. The latter represents about 12 percent of approved GEF projects since its inception. The completed projects are largely those set in motion during the Pilot Phase, before the subsequently approved GEF Operational Strategy and the operational programs. The Pilot Phase involved experimentation with new ideas and project concepts.

468. The OPS2 team was also asked to note results achieved under ongoing projects. In this case, the emphasis was on projects with at least 2 years of implementation experience. In the absence of evaluated project results for the majority of GEF projects, the Team relied heavily on the four program studies on climate change, biodiversity, international waters, and land degradation, prepared by the GEF monitoring and evaluation unit with interagency participation.

MAIN CONCLUSIONS

469. The OPS2 team has 10 main conclusions:

1. The GEF has produced significant project results that address important global environmental issues, despite some limitations acknowledged in this report.

470. Under its ozone program, the GEF has been responsive to and supportive of the Montreal Protocol and has had significant impact in helping to achieve meaningful reductions in ozone depleting substances (ODS). As of 1999, ODS consumption in 14 countries receiving GEF support had declined by more than 90 percent—from about 190,000 tons to less than 15,000 tons annually.

471. In its climate change focal area, the OPS2 team finds that the GEF has been most effective in promoting energy efficiency and has achieved some success in promoting grid-connected renewable energy. The GEF has had the least success with off-grid, rural, renewable energy projects. Given the vast, unmet needs for energy in most rural areas, the OPS2 team suggests that the GEF pursue more innovative approaches to support

productive uses of energy in rural areas. Overall, the Team believes that the GEF would benefit from adopting a more focused program in the climate change focal area, in which an important element would be the creation of enabling environments for market transformation. Also, it is necessary for GEF to seek higher leverage opportunities; co-financing at a ratio of 5:1 or 6:1—the level claimed by the bulk of the climate change portfolio—is not sufficient, given the modest size of the GEF resources in relation to the magnitude of global climate change problems. Leveraging additional (largely private sector) resources at much higher multiples, even 50:1 or 100:1—directly, or indirectly by influencing private sector capital flows—would make a significant difference.

472. In the biodiversity focal area, the GEF has steadily improved the standards of management of protected areas through participatory approaches. However, a greater proportion of biodiversity resides outside protected areas and is facing more serious threats. The GEF should continue to broaden its funding to conserve biodiversity in production landscapes and on public lands. In addition, GEF projects should give greater priority to the other two objectives of the Convention on Biological Diversity: sustainable use and benefit sharing. All projects should include consideration of livelihood alternatives, which is crucial for long-term conservation. Further testing of emergency response measures should be encouraged in this focal area.

473. GEF-supported activities under the international waters focal area have contributed significantly to the implementation of existing global and regional agreements that address protection and restoration of freshwater and marine ecosystems. The OPS2 team confirms that the science-based Transboundary Diagnostic Analysis (TDA) should continue to be the basis for facilitating country agreements on strategic action programs (SAPs) to remedy or prevent environmental threats to international waters.

474. Since land degradation has so far been designated only as a cross-cutting program area, the results are more modest. While few projects have significantly alleviated land degradation, the OPS2 team found that many projects did in fact address the causes of land degradation and built community capacity for sustainable management of land resources. Tools similar to the TDA/SAP approach in the international waters area should also be applied to land degradation projects, to ensure a solid scientific basis for determining the international, as distinct from national, environmental benefits.

475. The OPS2 team also examined the reporting by GEF entities on results achieved under completed and several ongoing projects. It appeared generally consistent with the viewpoints held by government officials and other stakeholders in the countries visited by the OPS2 team. There was general satisfaction among the key officials in these countries that the results reported by the GEF implementing agencies and the GEF Secretariat are objective and credible.

476. Overall, it is too early to expect the GEF to have had any substantial impact in halting or reducing current downward global environmental trends, except for the clearly positive aggregate impact of its ozone program in Eastern Europe and Central Asia. The projects supported by the GEF are implemented under very difficult conditions, often

involving issues that countries do not consider the highest priorities and that are unlikely to yield measurable results in the short term. GEF has had a relatively short existence; with the relatively modest amount of funding available, it is not realistic to expect that substantial global impacts could be demonstrated by the GEF so far.

477. Despite these limitations, it is the view of the OPS2 team that the GEF has already been able to produce a wide array of important project results that are important process indicators toward the achievement of future positive environmental impacts. We find that GEF is moving in the right direction and therefore deserves continuing support for its operational programs and activities.

478. With regard to the two new focal areas—on persistent organic pollutants and land degradation—the OPS2 team concludes that it is important for the GEF to take up consultations with each convention that expectations correspond realistically to GEF's limited resources. The GEF also needs to review and rationalize the objectives and number of its operational programs in light of the lessons learned. Such moves will promote consistency and clarify the focus on delivering global environmental benefits.

2. The GEF has been serving the global environmental conventions well.

479. GEF is the major source of funding specifically supporting international environmental agreements. The GEF has been responsive to the global environmental conventions, particularly the UNFCCC and the CBD. The Operational Strategy and operational programs reflect well the objectives and priorities of these conventions. GEF's response to convention directives for supporting countries in meeting their reporting requirements has been satisfactory and pragmatic.

480. Determining and spelling out how GEF should respond to the conventions' rather broad guidance has been problematic; the conventions have been similarly challenged to identify the actions most appropriate to the larger sustainable development context. However, both GEF and the conventions have made considerable encouraging progress in recent years. The OPS2 team noted that close consultations with the conventions are needed to ensure that current priorities are correctly interpreted and that convention guidance received previously is reflected in the current set of priorities. Since it was established, the GEF has funded 320 enabling activities totaling \$104.5 million. Some caution would be prudent in taking on any new rounds of enabling activities from the same conventions. Past funding for enabling activities need to be carefully assessed for their effectiveness in meeting country needs and responding to convention guidance.

481. Because GEF is focused on serving international environmental conventions, closer coordination is needed at the country level between GEF focal points and convention focal points. There is increasing recognition for GEF enabling activities in the conventions, but there has so far been little attention to results achieved through other GEF-funded activities. By recognizing actual results achieved in GEF projects, the statements made by recipient countries to the conventions may become more important to GEF's ability to attract ongoing funding support.

482. The OPS2 team points to the value of GEF's assistance to countries in mainstreaming, within their national plans and sustainable development policies, the national action plans such as national biodiversity strategies and action plans and associated enabling activities.

483. In terms of GEF's documented results, it is the view of the OPS2 team that the GEF has performed well as a multiconvention financial mechanism and has become an effective and credible facility for funding activities that have significant global environmental benefits.

3. Since the understanding of the GEF is very weak within recipient countries, substantial improvements are urgently needed in how the GEF operates at the country level.

484. The country dialogue workshops initiated 2 years ago have contributed significantly to expanding understanding of the GEF, but this is not enough. There is a broader unfilled information gap about GEF at the country level. This must be addressed more systematically.

485. Several countries covered by multicountry constituencies of Council members expressed concerns about coordination problems. Many operational focal points felt that communication channels with the Council Member representing their country were weak. It was not clear whether this was primarily due to little direct contact between the Member and the operational focal points in his or her constituency.

486. A good deal of country ownership seemed apparent, but many GEF projects did not seem country-driven in terms of involvement of the designated national operational focal points. Projects were often initiated largely through IAs efforts, along with their main contact points in the country. This would be expected when GEF was new and its operational objectives, strategy, and policies were not well known. Now, however, better in-country mechanisms are needed for coordinating GEF activities. GEF funding must be aligned with national sustainable development policies and programs as well as the country's commitments to international environmental conventions and related agreements.

487. Furthermore, the effectiveness of GEF coordination at the country level greatly depends on the capacity of the operational focal points. The role they play depends on support from effective consultation bodies or structures for cross-ministerial coordination and inclusive participation by stakeholders outside the government. We commend GEF for taking steps to improve intercountry understanding of the best practices derived from country initiatives. It is also important for GEF to take more forceful and effective steps to help increase the capacity of national operational focal points, particularly in small and medium-sized countries.

488. The present system in which each implementing agency designates a staff to serve as contact point for country coordination for GEF activities in that country, should be extended to the new executing agencies. More customized information services need to

be provided to each operational focal point who would then be empowered to disseminate to stakeholders overall status reports on national, regional, and global GEF projects. Such information should be provided in the language(s) appropriate for effective in-country communication on GEF activities. The GEF Secretariat should provide technical support for such reporting. A modest amount of additional and carefully targeted financial resources are needed to enable operational focal points to carry out in-country portfolio reviews with various stakeholders, including the IAs and convention focal points and, particularly, the local and national staff involved in the implementation of GEF projects.

489. Finally, the list of operational focal points in the GEF Annual Report needs to be updated at least annually and reconfirmed prior to the publication of the report.

4. Stakeholder participation must be addressed more systematically.

490. It is well recognized that GEF-funded activities must be placed in a sustainable development context. GEF's operational principles state that it will fund projects that are country-driven and based on national priorities designed to support sustainable development, as identified in the context of national programs. In this sense, the operational experience and country dialogues carried out by UNDP and the World Bank over many years are of strategic importance to the GEF.

491. Stakeholders in many countries emphasized to the OPS2 team that root causes of biodiversity loss are best addressed when GEF's conservation objectives are directly linked to sustainable development policies and programs. Hence the GEF must give stronger emphasis to initiatives that promote sustainable use and benefit sharing of biodiversity products and services. More broadly, the OPS2 team found evidence of good participatory processes, benefit sharing, and positive socioeconomic impacts from a number of GEF projects in all the focal areas. Many GEF projects show encouraging evidence of stakeholder consultations.

492. However, it is still difficult to assess stakeholder participation systematically. GEF projects would benefit from addressing socioeconomic and livelihood issues more thoroughly and systematically. The application of participatory processes and development of appropriate monitoring indicators will enable GEF to address both participation and sustainability issues more effectively. Attention to gender issues and vulnerable groups, including indigenous communities, is especially important in this area.

493. The GEF Secretariat should strengthen its in-house capacity to provide strategic guidance on social issues like inclusive participation, gender opportunities, and poverty alleviation, and ensure that projects designed and formulated for GEF consideration can deliver global environmental benefits that are sustainable over the longer term.

5. Greater clarity needs to be provided to country and project stakeholders on global benefits and incremental costs.

494. Both the GEF Pilot Phase Review and OPS1 emphasized the importance of greater clarity and improved operational guidance for determining what is covered by the

term “global environmental benefits,” particularly for the biodiversity and international waters focal areas. The OPS2 team found that GEF has made progress in deriving a practical approach for determining incremental costs at the technical level between the GEF Secretariat and GEF units in the IAs. However, the Team also found confusion at the country level and among other stakeholders over definitions of global environmental benefits and incremental costs.

495. The OPS2 findings highlight the importance of operational guidance materials that clearly communicate how global benefits are defined at the project design stage and how they will be accounted for and measured at the time of project completion. To improve understanding of incremental costs in relation to defined global benefits and to enable consistent application of these concepts by country officials and other project stakeholders, it is now imperative that GEF provide clear and effective written guidance. GEF should give a high priority to developing and distributing such materials.

496. Progress in this area will facilitate a host of other improvements in GEF, such as enhancing operational policies, country participation, and country drivenness; reducing project processing complexities; and boosting opportunities for co-financing and GEF partnerships.

6. Improvements are needed in processing GEF projects and in improving GEF visibility through better information products and communication.

497. The OPS2 team concludes that more efforts should be devoted to reviewing the processing procedures and the management of the project review processes in the GEF. There are opportunities to reduce the time needed for processing regular GEF projects; a conclusion even more applicable to MSP processing. The latter should be a high priority for immediate corrective action.

498. Furthermore, the OPS2 team found that the GEF suffers from poor visibility, even on projects it finances fully. The GEF website is valuable and effective, but the GEF cannot rely on member countries satisfying their main information needs from this one source. Print, CD-ROM, and visual media products are also essential. GEF visibility would be enhanced by launching flagship publications on the global environment that highlight GEF operational experiences and project results.

499. Country stakeholders do not find it easy to understand the GEF’s goals, objectives, and operational modalities, particularly with respect to its primary emphasis on global environmental benefits and incremental cost financing. Good information products from the GEF would help to alleviate the prevailing misconceptions and misunderstandings about the GEF mandate and processes.

500. A major thrust of OPS2 conclusions is that GEF should demonstrate a shift in operational emphasis from an “approval culture” to a culture of “quality and results.” A highly visible sign of such a shift would be presentation in GEF’s annual reports, as set forth in the GEF Instrument, of the project outcomes that have emerged from the completed project evaluations available each year.

7. The catalytic role of the GEF needs better focus—through mainstreaming, co-financing, and replication of GEF-funded activities.

501. The OPS2 team notes that from the outset it was considered important that GEF become an effective facility for generating funding from other sources to help meet global environmental objectives. Its Operational Strategy includes this principle: “Seeking to maximize global environmental benefits, the GEF will emphasize its catalytic role and leverage additional financing from other sources.”

502. The OPS2 team found that the three IAs have made reasonable efforts to mainstream *global* environmental issues in their operational programs. Development assistance agencies such as UNDP and the World Bank have made progress in helping countries raise the profile of global environmental concerns in country dialogues on national development strategies, programs, and projects. There is still a long way to go.

503. The OPS2 team considers the GEF’s performance on co-financing decidedly modest. Among the completed projects, only a few account for most of the co-financing that has been generated. A clear definition of the term “co-financing” is much needed and should address the many substantial inconsistencies in the co-financing databases maintained by various GEF entities. Co-financing commitments and efforts need to be systematically assessed and monitored, such as in project completion, termination, and evaluation reports, as well as in the annual interagency PIR process. As the GEF enters a new phase of its development facing a rapidly growing project pipeline accompanied by demands that exceed available funding, it will need to define and apply strict criteria for co-financing as part of project approvals.

504. Even with more success in mainstreaming and attracting co-financing, the potential to replicate GEF-funded projects under other financial and operational modalities is strategically important. Since completed projects are still few, it may take time before replication effects can be monitored and assessed. However, it would be difficult to ascertain such replication because GEF does not systematically monitor such impacts. This should be done. To that end, the OPS2 team considers it important that cross-learning processes be strengthened and accelerated, particularly on an interagency basis, within each project category.

505. Regarding trust funds, the OPS2 team concluded that they provide more continuity than other project financing modalities and thus encourages the GEF to explore further the most effective ways to finance trust funds in GEF operations in tandem with other sources of funding.

8. Small grants and medium-sized projects have produced good results and can be effective first steps in GEF programming aimed at subsequent larger projects.

506. Small and medium-sized projects seem to have a good success rate and, under many circumstances, may be the best way to initiate new and innovative GEF activities. These types of funding are not only well suited to NGO activities but also to smaller countries, including small island states, which may well find medium-sized projects

ideally suited for most of the needs related to their aspirations to contribute to global environmental conventions.

507. The OPS2 team concludes that, in light of recent positive evaluations of SGP and MSP performance and growing demand for GEF funding, it will be important to allocate increased resources to both these funding categories.

508. MSPs are well-positioned to help test the opportunities for what can be achieved through GEF funding, before new approaches are deemed suitable for scaling up into a full-sized projects. This is also becoming an important point from a programming perspective because of the rapidly increasing demand for GEF funding.

9. The GEF needs to engage the private sector more extensively.

509. The OPS2 team finds encouraging evidence of GEF efforts to engage the private sector in GEF's activities on behalf of the global environment. However, the Team finds that many opportunities remain unexploited and many barriers still constrain GEF in engaging the private sector more widely in its projects. There is clear evidence of this in the ozone and climate change focal areas, but considerable untapped potential also exists for private sector engagement in biodiversity. This effort also should be extended to international waters and land degradation. The OPS2 team believes there are powerful rationales for seeking such engagement on a substantially increased scale. Council endorsement of expanded participation of the private sector and explicit acceptance of the risks involved would help remove uncertainties within the GEF. Clear guidelines from the GEF Secretariat on new modalities should have high priority, as should the acquisition of substantially increased and global environment-related private sector expertise for the GEF Secretariat.

10. The institutional roles and responsibilities of GEF partners need clarification and some modification.

510. The GEF is a unique experiment in interagency collaboration among important agencies in the UN system and the Bretton Woods system. Multilateral development agencies are not well known for successful interagency collaboration in operational matters. The OPS2 team considers the GEF to be a particularly encouraging example of constructive interagency cooperation.

511. While the GEF system has performed well overall, the Team has identified room for some further specific improvements in its organizational structure and management and staffing functions.

512. As GEF moves from an approval culture to a results- and quality-oriented culture, it will be of utmost importance to reduce the rather rigid programming divide between the GEF Secretariat and the IAs. A better partnership is needed. A main thrust in the OPS2 findings and conclusions is the necessity to encourage an active partnership approach in all phases of GEF's operational activities, without diluting the prime responsibilities of each partner at specific project cycle intervals.

513. Institutionally, GEF must address some key issues of immediate concern. There is a clear need for strengthening the Secretariat's role and staffing capacity. Efforts to strengthen Secretariat capacity must focus on clarifying roles and responsibilities; improving coordination, recruitment, and staff training; and assessing the need for new positions. First, immediate action should be taken to establish a Country Support Team in the Secretariat. This should be followed by a careful assessment of the work programming and budgetary implications arising from the OPS2 findings and recommendations.

514. The three IAs will continue to have very important responsibilities in GEF. They have developed valuable professional and technical expertise, accompanied by high commitment to GEF objectives. Each of them has developed considerable operational experience and, as a team, they have the international credibility needed to carry out GEF-related tasks and understand the sustainable development context within which GEF activities must occur. The IAs—and their relationship with GEF—would benefit, however, from some medium-term assurances of funding levels needed to maintain institutional commitment and staff capacity, while at the same time being sufficiently flexible so that they continuously reflect country priorities.

515. The new GEF executing agencies under the policy of expanded opportunities will add capacities, but they need to be carefully integrated into GEF for involvement in specific focal areas, where they have established credible technical and operational expertise.

516. Responses to the global environmental issues covered by the conventions need the solid foundation of scientific and technical advice from recognized sources. STAP serves a key role in meeting this need. We have noted significant improvements in the way STAP interacts with other parts of GEF. Its roster of experts needs to be more carefully scrutinized regarding the way it is used and how it is managed. There is also a need for regular evaluation of STAP reviews, as part of the evaluation of completed projects. It would be advantageous for STAP to assess ways of improving the use of scientific and technical expertise in GEF project approval and implementation processes.

517. Effective monitoring and evaluation is central to a quality-oriented culture because of its contribution to continuous improvement. The GEF monitoring and evaluation team has over the last several years conducted a large number of relevant program reviews and evaluations of the GEF focal areas and themes cutting across focal areas. These provided useful inputs for OPS2. Project-level monitoring and evaluation has remained the sole responsibility of the IAs. The GEF monitoring and evaluation team should have a strategic role, in partnership with the IAs and the EAs, during project implementation. Also, it needs to strengthen its information dissemination and institutional linkages with IAs and operational focal points to support and enable adaptive project and program management, and continuously improving portfolio management across the entire GEF system.

518. Hence, the OPS2 concludes that the GEF Council should take immediate steps to explore how GEF's institutional status might be best strengthened. It seems both timely

and appropriate to consider strengthening the institutional character of the GEF substantially. Providing it with a legal status should be among the options Council should examine in this regard. The need to strengthen the GEF institutionally is driven by many factors mentioned earlier—the increasing operational programs; the expanding relations with new conventions and protocols; the inclusion of new institutional partners, such as the seven executing agencies, to help GEF-eligible member countries achieve effective country coordination and address country priorities within national sustainable development programs and policies; and the increasing scarcity of GEF funds.

KEY RECOMMENDATIONS

THE GEF PARTNERSHIP

Recommendation 1 (Chapter 7)

519. The GEF should manage delivery of global environmental benefits by initiating a institution-wide shift from an approval culture to one that emphasizes quality and results. This should be achieved through a partnership approach that expands the use of interagency task forces to address program and policy issues and adopts broader teamwork practices to support project implementation and evaluation.

Recommendation 2 (Chapter 7)

520. In response to the concerns raised when the GEF was established regarding cost efficiency, accountability for services provided, and monitoring of overhead costs, OPS2 recommends two measures: (i) establishing a standard set of tasks to be performed by the IAs with fee resources and (ii) adopting a simple output-based fee payment system for IAs using two or three payments that are phased through the life of a project and linked to specific project milestones.

Recommendation 3 (Chapter 6)

521. Each IA and new executing agency should be held responsible for generating significant additional resources to leverage GEF resources. A clear definition of co-financing and a set of strict co-financing criteria should be developed for different GEF project categories and country circumstances. The emphasis should be on the total amount of additional co-financing considered to constitute a significant and effective cost-sharing arrangement for each project, rather than on the quantity of co-financing forthcoming from an agency's operating programs and government contributions. Co-financing levels should be monitored and assessed annually through the interagency PIR process, as well as evaluated in the final project reports. The monitoring of replication of successful project activities should be established as a separate exercise in GEF.

STRENGTHENING COUNTRY CAPACITY

Recommendation 4 (Chapter 5)

522. *The GEF should continue ongoing efforts to support capacity development of operational focal points, the national GEF coordinating structures, and the country dialogue workshops. Furthermore, OPS2 recommends that the GEF Secretariat help empower operational focal points by providing better information services on the status of projects in the pipeline and under implementation. To that end, the GEF Council should allocate special funding, administered by the GEF Secretariat, to support the organization of regular in-country GEF portfolio review workshops, carried out by the national operational focal points with participation by the related convention focal points, IAs, and EAs.*

GEF OPERATIONAL ISSUES

Recommendation 5 (Chapter 4)

523. *The GEF should adopt a cautious approach to funding any new rounds of enabling activities to the same convention. All such activities must be assessed for their effectiveness in responding to the convention guidance and to country needs. It is important to assess the use of national reports, national communications, and national action programs within the strategic frameworks for a country's national sustainable development program and for GEF's programming and project preparation activities. In this context, OPS2 also recommends that the GEF Council explore the feasibility of each country reporting directly to the appropriate convention on the effectiveness and results of GEF's country-relevant support for both enabling activities and projects.*

Recommendation 6 (Chapter 4)

524. *In its dialogue with each convention that it supports, the GEF should regularly seek to update and clarify existing priorities and commitments in light of each new round of guidance it receives.*

Recommendation 7 (Chapter 6)

525. *To improve the understanding of agreed incremental costs and global benefits by countries, IA staff, and new EAs, OPS2 recommends that the 1996 Council paper on incremental costs (GEFF/C.7/Inf.5) be used as a starting point for an interagency task force. This group would seek to link global environmental benefits and incremental costs in a negotiating framework that partner countries and the GEF would use to reach agreement on incremental costs. This should be tested in a few countries, and revised based on the experience gained, before it is widely communicated as a practical guideline for operational focal points, IAs, and GEF Secretariat staff.*

Recommendation 8 (Chapter 3)

526. *The GEF should review and rationalize the number and objectives of operational programs in light of the lessons learned in order to ensure consistency and a unified focus on delivering global environmental benefits. Furthermore, to ensure quality outcomes that focus on global environmental benefits, OPS2 recommends that GEF make a special effort to use scientific analysis as a constant foundation for the planning and implementation of new projects in all focal areas. The science-based Transboundary Diagnostic Analysis (TDA) should continue to be the basis for facilitating regional agreements on actions to address threats to international waters and for developing strategic action programs (SAPs). OPS2 further recommends the extension of a similar approach to land degradation, as it is now becoming a new focal area.*

Recommendation 9 (Chapter 6)

527. *An interagency task force should be organized by the GEF Secretariat for the purpose of developing an effective and systematic way to document information on stakeholder consultations and participation, including the involvement of indigenous communities, in GEF-funded projects.*

Recommendation 10 (Chapter 6)

528. *The GEF must place greater emphasis on sustainability and the potential for replication in project design and implementation. In particular, OPS2 recommends that the GEF should engage the private sector more effectively in all phases of the project cycle, including securing adequate GEF Secretariat expertise in this field. It should seek to create an enabling environment in which more specific, market-oriented strategies and expanded GEF operational modalities enable timely interaction with the private sector, thereby forming the basis for long-term sustainability of GEF activities.*

CAPACITY OF THE GEF SECRETARIAT

Recommendation 11 (Chapter 7)

529. *The GEF Council should commit to strengthening the professional resources and management capacities of the GEF Secretariat in the following key areas:*

- *Establishing a separate unit (Country Support Team) that possesses adequate regional knowledge, language capacity, and the competence to provide the national operational focal points, in close collaboration with the implementing agencies and the executing agencies, with effective, prompt policy and procedural guidance*
- *Strengthening its capacity to develop and communicate operational modalities that can effectively engage the private sector, including the recruitment of relevant private sector expertise and arrangement of secondments from the implementing agencies/IFC or the external private sector*

- *Requesting a special human resources planning exercise, including work programming and budget implications, of the proposed and expanding functions of the GEF Secretariat to give the GEF Council more precise recommendations regarding staffing needs*
- *Contracting an external management review of current management systems and future management needs in the GEF Secretariat.*

Recommendation 12 (Chapter 7)

530. With due respect for the implementing agencies' overall responsibility for project implementation and evaluation, the GEF Council should strengthen and expand the monitoring and evaluation functions of the GEF monitoring and evaluation unit so that it can play a supporting partnership role in mid-term reviews and project evaluations, particularly by providing advice on TORs for mid-term reviews and final project evaluations, contributing to the review of each of these reports, reviewing and compiling the results reported from project evaluations, and arranging adequate feedback to all GEF partners.

STRENGTHENING GEF'S INSTITUTIONAL CAPACITY AND STRUCTURE

Recommendation 13 (Chapter 7)

531. To strengthen the GEF system for providing science and technology inputs, OPS2 recommends appointing STAP members for staggered terms, exploring with STAP members mechanisms for improving the use of in-country scientific and technical expertise within the GEF, and seeking STAP recommendations for appropriate changes to improve the project review system and to enhance the utility of the roster of experts.

Recommendation 14 (Chapter 7)

532. To support GEF's evolution to a quality- and results-oriented institutional culture and to ensure that new demands on the GEF are effectively addressed, OPS2 recommends that the institutional structure of the GEF be strengthened and that, towards this end, the GEF Council consider a review of options to strengthen GEF's institutional structure, including providing it with a separate legal status.

ANNEXES

- 1. Terms of Reference**
- 2. Study Team Resumés**
- 3. OPS2 Methodology**
- 4. High-Level Advisory Panel**
- 5. Ten Operational Principles for GEF Work Program & Operational Programs of the GEF**
- 6. OPS1 Recommendations**
- 7. Mainstreaming in the Implementing Agencies**

ANNEX 1

TERMS OF REFERENCE FOR SECOND STUDY OF GEF'S OVERALL PERFORMANCE

Background

1. The Global Environment Facility (GEF) is a financial mechanism that promotes international cooperation and fosters actions to protect the global environment. It provides grants and concessional funds to complement traditional development assistance by covering the additional costs (also known as “agreed incremental costs”) incurred when a national, regional, or global development project also targets global environmental objectives. The GEF has defined four focal areas for its programs: biological diversity, climate change, international waters and ozone layer depletion. Efforts to stem land degradation as they relate to the above four focal areas are also eligible for GEF funding.
2. The GEF Pilot Phase started in 1991. The Restructured Global Environment Facility was made operational in 1994 with a pledged core fund of US\$2 billion. At the replenishment in 1998 an additional US\$2.75 billion was pledged. Project allocations have increased steadily over the years, and amounted to an estimated US\$3.3 billion as of June 30, 2000. Cumulative disbursements as of December 31, 1999, was US\$0.938 billion. (Update to 6/30/00 will be made).
3. The GEF is governed by a Council, consisting of 32 Members from developing and developed countries, as well as countries in transition. GEF's Implementing Agencies (IAs) are UNDP, UNEP, and the World Bank. The World Bank also serves as the trustee of the GEF Trust Fund. The Scientific and Technical Advisory Panel (STAP) is an advisory body that provides scientific and technical advice.
4. The GEF serves as the financial mechanism for the Convention on Biological Diversity (CBD) and the UN Framework Convention on Climate Change (UNFCCC). In this capacity the GEF receives guidance from the Conference of the Parties to the conventions and is accountable to them. The GEF also supports the objectives of the UN Convention to Combat Desertification (UNCCD). Although the GEF is not a financial mechanism for the Montreal Protocol, GEF operational policies concerning ozone layer depletion are consistent with those of the Montreal Protocol and its amendments. For the international waters focal area, GEF operational policies take into account numerous relevant international treaties and conventions.
5. The Study of GEF's Overall Performance (OPS 1), completed in 1998, was the first to review the performance of the GEF in its restructured operational phase. OPS 1 did not focus on assessing results at the project or the program level, due to the fact that relatively few projects had been completed, and such an assessment would have been premature. It focused instead on a wide range of topics including: (i) adequacy of the financing and leveraging of additional investment

toward global environmental benefits; (ii) operations at the country-level; (iii) institutional roles and relations; (iv) project cycle procedures; and (v) issues related to programming. OPS 1 contributed to the deliberations at the replenishment, and provided a basis for some of the discussions at the first GEF Assembly held in New Delhi in April 1998.

Objectives and Scope of the Second Study of GEF's Overall Performance

6. The Second Study of GEF's Overall Performance (OPS 2) will assess the extent to which the GEF has achieved, or is on its way to achieving, its main objectives as specified during the restructuring in 1994 and policies adopted by the GEF Council since then, including the public involvement policy. OPS 2 will also assess implementation of GEF's Operational Strategy and its Operational Programs. OPS 2 will contribute to the third replenishment and the second Assembly of the GEF, expected to occur in 2001-2002. The study will be implemented by an independent team.

7. The central theme of OPS 2 is the assessment of impacts and results.²⁶ In the years since OPS 1 was undertaken, the GEF portfolio has matured sufficiently for OPS 2 to focus on initial impacts—30 projects have completed implementation, while at least another 135 full projects have been under implementation for more than a year. In addition, a large number of “enabling activities” and “small grants” have been completed or well advanced.

8. During recent years the GEF has carried out a number of evaluations and reviews.²⁷ Annual Project Implementation Reviews have been made during the last 5 years. In addition, the evaluation departments and the Global **Environment**/GEF departments of the Implementing Agencies have completed project reviews and evaluations of more than thirty projects. Other reports have been prepared by executing agencies and NGOs. The documents will be provided as inputs to OPS 2.

9. OPS 2 will primarily focus on impacts and other results seen in the context of the four focal areas and the cross-cutting area of land degradation. The study will further analyze how GEF policies, institutional structures and cooperative arrangements have facilitated or impeded good quality projects or results. There are four main topics for the study, namely:

- (a) Operational and Program Results. What have been the cumulative operational and program results in the four focal areas of climate change, biodiversity, international waters, and ozone depletion; as well as in land degradation efforts related to the focal areas? What has been GEF's role in attempting to halt or mitigate negative global environmental trends?

²⁶ Result is defined as a project/program impact, outcome or output. Impact is defined as the (positive or negative) changes that the project/program has brought about. Operational and program results are defined in the context of GEF's Operational Strategy and Operational Programs.

²⁷ These include a *Study on Trust Funds in Biodiversity Conservation* (GEF/C.12/Inf. 6), the *Interim Assessment of Biodiversity Enabling Activities* (GEF/C14/11), and *Impact of GEF Activities on Phase-out of Ozone Depleting Substances* (GEF/C.14/Inf.6). An ongoing review of Climate Change Enabling Activities will be submitted to the GEF Council for review at its November 2000 meeting.

- (b) Effects of GEF Policies on Results. Are GEF policies and programs responsive to the objectives of the UNFCCC and the CBD and the guidance of their parties? Do the policies effectively guide GEF approaches, actions, and modalities of support?
- (c) Effects of GEF's Institutional Structure and Procedures on Results. Do GEF's institutional structure and procedures facilitate timely implementation and high quality results? Is the GEF effectively monitoring and evaluating its results, feeding lessons learned back into operations and disseminating the lessons widely?
- (d) "Country Ownership" and Sustainability of Results. What has been achieved in terms of "country ownership," institutional development and sustainability of projects? Are GEF operations well coordinated with governmental and non-governmental partners?

10. As a preparatory phase to the OPS 2, the M&E team is coordinating program studies in climate change, biodiversity and international waters, including related land degradation components. The studies will be undertaken by independent consultants and staff members from the GEF Secretariat, Implementing Agencies and STAP. The studies will help create databases, gather relevant data and analyze experiences and lessons. The studies will focus on operational and program results, and will be conducted in accordance with the framework presented to Council at its May 2000 meeting.

Areas for Assessment

11. On "Operational and Program Results," the OPS 2 team will review the findings and conclusions of relevant existing program and project studies (see paragraph 8 and 10) and carry out complementary evaluation tasks in order to reach an independent conclusion on GEF results and initial impacts. For this task the team will also be aided by GEF's work on program indicators and evaluation approaches. (Attachments 1–3). The team will further consider these results in the global context and discuss GEF's overall accomplishments in supporting actions to halt and/or mitigate the degradation of the global environment within its four focal areas. Moreover, the OPS 2 team will, on the basis of its own data collection and analyses, cover the three remaining topics in paragraph 9. In total, the team will:

Operational and Program Results

- (a) Assess impacts and other results in the climate change focal area in terms of market advancement of renewable energy and energy efficiency efforts at country and international levels (See Attachment 1);
- (b) Assess results in protection and sustainable use of biodiversity resources (See Attachment 2);
- (c) Assess results on diagnostic analyses, action programs and preventive actions in the context of international waters (See Attachment 3);
- (d) Assess impacts and other results on the phase-out of ozone depleting substances (Ref. GEF/C.14/Inf.6).
- (e) Assess results of efforts to stem land degradation, in the context of support in the focal areas of climate change, biodiversity and international waters.
- (f) Assess results in GEF multi-focal areas.
- (g) On the basis of (a) – (f) discuss GEF's overall role in initiating and supporting actions to halt and/or mitigate the degradation of the global environment within its areas of responsibility.

Effects of GEF Policies on Results

- (a) Evaluate whether the GEF policies and programs are adequately responding to the objectives of the CBD and the UNFCCC and the guidance of their parties. Assess GEF's role in its support **to** the objectives of UNCCD.
- (b) Assess how well GEF policies and programs guide actions to address global environmental issues. Consider if there are policy gaps. Discuss the adequacy of scope and content of the current portfolio, including integration of actions between the various focal areas.
- (c) Assess whether GEF is playing a strategic, complementary and catalytic role vis-à-vis its Implementing Agencies and other organizations, particularly in terms of facilitating and encouraging additional financing **to** global environmental endeavors.
- (d) Discuss GEF's role in identifying innovative and adequate policies, approaches and technologies in its focal areas, as well as its role in the demonstration and replication of viable approaches. Discuss GEF's achievements in coordinating and integrating research, scientific and technical assessments with policy development, including integration of reviews and advice by GEF's Scientific and Technical Advisory Panel (STAP).

- (e) Assess GEF guidelines and practice for determining global vs. local benefits and the determination of incremental cost in the four focal areas.
- (f) Evaluate GEF's partnerships with non-government organizations and academic institutions. Evaluate GEF cooperation with the private sector, particularly in view of the private sector's role and contribution to shaping and finding solutions to global environmental problems.

Effects of GEF's Institutional Structure and Procedures on Results

- (a) Discuss how GEF's institutional structure, and division of roles and responsibilities between the GEF entities have impacted the rate of implementation, content and the quality of the GEF portfolio. Discuss cooperation and coordination arrangements among GEF Implementing Agencies, particularly at the country level. Assess the progress and timeliness of implementation of GEF operations.
- (b) Consider the growing GEF cooperation under expanded opportunities for executing agencies and how this is affecting GEF's programming efforts as well as coordination between GEF entities.
- (c) Discuss whether GEF's project cycle, its recent streamlining , as well as other procedures have facilitated implementation and good quality results.
- (d) Assess the adequacy of GEF monitoring and evaluation work and efforts for feeding lessons back into operations and to the public at large. Review the progress of follow up of OPS 1.

“Country Ownership” and Sustainability of Results

- (a) Assess how well GEF operations are integrated with national environmental and development priorities and actions. Examine whether the cooperation and coordination arrangements between the GEF Secretariat, the Implementing Agencies and the recipient countries have facilitated “country ownership” of projects. Assess the effectiveness of the country coordination of GEF efforts and the GEF Focal Point system.
- (b) Assess the effectiveness of GEF's outreach and information activities, including the Country Dialogue Workshops.
- (c) Assess results in capacity development.²⁸
- (d) With reference to GEF's public involvement policies, examine the participation of national or community interest groups, NGOs and the private sector.

²⁸ Capacity development results may relate to the individual, organizational or systemic level. (See GEF M&E Working Paper No. 5, 2000.)

- (e) With particular reference to global and regional (including transboundary) projects, assess the adequacy of coordination mechanisms with participating countries, regions and groups.
- (f) Assess whether GEF-funded efforts have become or are likely to become sustainable and replicated upon termination of GEF funding.²⁹

Conclusions and Recommendations

Present conclusions of findings and recommendations to the GEF.

OPS 2 Execution

12. The Second Study of GEF's Overall Performance (OPS 2) will be undertaken from November 2000 to January 2002 by a fully independent team. The team will be appointed by the Senior Monitoring and Evaluation Coordinator in accordance with the terms of reference criteria approved by the GEF Council and in consultation with the GEF CEO/Chairman.

13. The OPS 2 team will consult with all GEF entities as well as GEF's collaborating partners: a wide group of cooperating countries, the convention secretariats, executing agencies, non-governmental organizations (NGOs), academic and private sector institutions.

14. The team will function in an inclusive and open manner. To ascertain transparency and good communication with all cooperating partners, the team will be involved in three to four consultations in conjunction with Council Meetings and appropriate international or regional environmental meetings. Partner organizations and the public at large will be informed via the internet about the implementation of the study and will be given opportunities to provide relevant inputs to the OPS 2 team. The following reports will be placed on the GEF website: inception report, draft report and final report.

²⁹ Sustainability may depend on e.g. political, legal, institutional, technological, social, cultural, economic and financial factors. Financial sustainability can for instance be promoted through trust funds, user fees or other long term commitments by the community, government and the private sector.

Study Team

15. The study team will consist of a core team of 5-7 international consultants and 16- 20 local consultants. The team will be composed of men and women from different geographic regions of the world.

16. The team leader will have an excellent knowledge of global environmental and sustainable development issues. He or she will also be knowledgeable in policy formulation, project management and evaluation. He or she will lead the main work of managing the study and be responsible for drafting the final report, in cooperation with the other team members.

17. The core team members will also have a good understanding of global environmental and sustainable development issues, policy formulation, project management and evaluation. Furthermore, the team will have expertise in assessing the role of public and private institutions.

18. National or regional team members will be recruited to take part in assessments of GEF efforts in countries. They will have competencies in the same areas as the international team members, and a good working knowledge of national environmental issues.

Mode of work

19. The team members will familiarize themselves with all relevant documents and available monitoring and evaluation material. They will review the findings and conclusions of GEF program and other relevant studies and evaluations, and carry out complementary and independent evaluation tasks.

20. The team will prepare an Inception Report including a plan for the implementation of the study. This report will also contain an overview of data sources.

21. The team will meet with all GEF entities and relevant GEF partners at international, regional and national, and as required, local levels. The team will review selected projects through desk reviews and field visits.

22. Study team members will visit 10-12 countries. The countries will be selected on the basis of the following criteria:

- (a) Number of GEF projects and size of funds allocated,
- (b) Broad representation of projects in the various focal areas,
- (c) Well performing and innovative projects as well as less-well-performing ones,
- (d) Length of GEF involvement,

- (e) Various institutional models for responding to GEF initiatives, and
- (f) Consideration of geographical and other variations between countries.

23. On the basis of specific agreements in each case, the Country Focal Points assisted by the field missions of the Implementing Agencies (World Bank, UNDP and UNEP) will assist in the preparation and implementation of the country assessments.

24. The team will prepare the OPS 2 report, which will consist of 60-80 pages plus appendices.

Proposed Timetable

Activity	Date
• Approval of Terms of Reference and Budget by Council	October 2000
• Identification of team members	September–November 2000
• Recruitment of team, start of work	November 2000
• Team meetings and discussions with GEFSEC, Implementing Agencies, STAP	January 2001–January 2002
• Country visits, and meetings with other GEF stakeholders, international and regional consultations	February–April 2001
• Interim report to GEF Council	To be determined
• Draft report	October 2001
• Final report	January 2002

ANNEX 2

STUDY TEAM RESUMÉS

Leif Christoffersen

Leif E. Christoffersen is Senior Fellow at the International Center for Environment & Development (Noragric) of the Agricultural University of Norway, and is Chairman of the GRID-Arendal foundation in Norway, supporting UNEP's environmental information and assessment activities. He also serves as Chairman of IUCN's Sustainable Use Specialist Group in the Species Survival Commission. From 1964 to 1992, he served with the World Bank, where he held various management positions related to agriculture, rural development, and the environment. Between 1987 and 1992, Mr. Christoffersen headed the Environment Division for the Africa Region.

James Seyani

James H. Seyani is a Malawian Systematic Botanist and Conservation Biologist, and works for the Commonwealth Secretariat in London as Chief Programme Officer (Biodiversity). His experience includes development of national biodiversity strategies and action plans, conservation and sustainable use of biodiversity in protected areas and public land, access policies, co-management, taxonomy, biosafety, bioprospecting, benefit-sharing, indigenous knowledge, and impact assessments. Mr. Seyani has extensive knowledge of the Convention on Biological Diversity (CBD) and became first Chair of its Subsidiary Body on Scientific, Technical, and Technological Advice (SBSTTA).

Thomas Mathew

Thomas Mathew is President of the South Asian Conservation Foundation (SACF), a non-profit organization with its headquarters in Washington, D.C. SACF supports field conservation programs in South Asia with a primary focus on building government-NGO partnerships to conserve wild habitats.

Mr. Mathew worked for 17 years with the World Wildlife Fund first in India (Secretary General) and then in the United States (Director of Conservation within the Asia Program). He has served in the Government of India as Senior Environmental Specialist, overseeing environmental appraisals of development projects. In 1980, as head of a research team supporting a High-Level Committee established by the Prime Minister of India, he was responsible for coordinating the Government of India's plan for establishing a full-fledged Ministry of Environment and Forests.

Ogunlade Davidson

Ogunlade Davidson, an expert in the field of energy systems and climate change, is the Executive Director of the Energy and Development Research Group (EDRC), University of Cape Town, South Africa, and is the Co-Chair of Working Group 111 (Mitigation) of the Intergovernmental Panel on Climate Change (IPCC). He has initiated and managed many internationally funded projects, and has acted as a consultant to UNESCO, UNIDO, ILO, UNECA, UNDP, UNEP, and the World Bank, as well as various regional institutions.

Mr. Davidson is a member of various international energy and engineering institutions, and has been a Visiting Professor/Senior Scientist at the University of California (Berkeley), Princeton University, and the University of Gothenburg, among others. He has published widely in energy and climate change.

Allen Hammond

Allen Hammond is Senior Scientist and Chief Information Officer, World Resources Institute, Washington, D.C. He has an institute-wide leadership role in the use of analytical methods and information tools for policy research, helps lead WRI's digital industry initiative, provides oversight of WRI's electronic information and communications infrastructure, and does research and writing on long-term sustainability issues. He was formerly Director of the Program in Resource and Environment Information, Director of the Strategic Indicator Research Initiative on environmental indicators, and Editor-in-Chief of the *World Resources* report series.

Mr. Hammond has also been the advisor on indicators to the UN Commission on Sustainable Development, the UN Environmental Programme for its Global Environmental Outlook, and the UN Development Programme's *Human Development Report*.

Maria Concepcion Donoso

Maria Concepcion Donoso, a hydraulics and ocean engineer, is currently Director of the Water Center for the Humid Tropics of Latin America and the Caribbean (CATHALAC), with headquarters in Panama City. She is an expert in water resources management, specifically focused on air-sea-land interaction processes and climate change impact on the natural environment and society.

Since 1987, Ms. Donoso has directed various consultancies, and been advisor for the Government of Panama, UNESCO, and a large number of regional institutions. She has been a member for various working groups and committees at the regional and international level, including the IOCARIBE Group of Experts on Ocean Process and Climate.

John Fargher

John Fargher is an independent consultant who has worked for a large number of bilateral and multilateral agencies, as well as the private sector. He is a Natural Resource Scientist with 21 years experience in resource economics, natural resource impact assessment, and investment analysis for integrated resource management. His areas of expertise specifically include program evaluation, participatory management to address land degradation, watersheds, and river basins and forest resources.

Mr. Fargher's recent experience includes participatory project and program evaluations in Armenia, Australia, China, Indonesia, South Africa, and Turkey.

Emma Hooper

Emma Hooper is an independent consultant in social development, with over 20 years experience in a wide range of cross-sectoral, social, and institutional issues. She works regularly with both multilateral and bilateral agencies, as well as the private sector and NGOs. She has worked in South and East Asia, the Middle East and North Africa, Africa, Latin America, and Europe.

Her professional skills include social policy and strategy formulation; social impact assessment and stakeholder analysis including poverty, equity, and gender concerns; participatory and partnership approaches to environmental infrastructure delivery; social aspects of rural development; and institutional development issues.

TABLE 1 CONTACTS FOR THE TEAM CONDUCTING THE SECOND STUDY OF GEF'S OVERALL PERFORMANCE

Team Member (Nationality)	Focal Area	Address
Leif E. Christoffersen (Norway)	Team Leader	lchristoffersen@worldbank.org Postal address: c/o GEF Secretariat 1818 H St. NW Washington, DC 20433 USA
James Seyani (Malawi)	Biodiversity	jseyani@worldbank.org Postal address: Commonwealth Secretariat, Science and Technology Div. Marlborough House Pall Mall, London SW1Y 5HX United Kingdom
Thomas Mathew (India)	Biodiversity	tmathew@worldbank.org South Asia Environmental Foundation Postal address: Suite 510 110 Maryland Avenue, NE Washington, DC 20002 USA
Ogunlade Davidson (Sierra Leone)	Climate Change/ Ozone	Odavidson@worldbank.org Postal address: Energy and Development Research Centre University of Cape Town PO Box 34178, Rhodes Gift 7701 South Africa
Allen Hammond (USA)		Postal address: c/o M&E/GEF Secretariat 1818 H St. NW Washington, DC 20433 USA

ANNEX 3

OPS2 METHODOLOGY

Overall Approach

The starting point for the OPS2 team's approach was to verify reported progress in the achievement of tangible results and impacts in the field. Our main sources of information were four focal area Program Studies and an external evaluation report of GEF's ozone program. We also examined evaluation reports from completed projects, as well as reports and documentation from the implementing agencies regarding ongoing projects. A series of consultation meetings with the implementing agencies and the GEF Secretariat were also very helpful to our work.

Another important phase was the period of various country visits during which stakeholders were consulted in the field and discussions held with country focal points, relevant government ministries, project implementing agencies, NGOs, private sector partners, and others.

The framework for this assessment is contained in the policy documents of the GEF, and in particular, the statements of its operational programs. The outputs from this verification of project and country-level impacts and achievements were fed into a macro-level strategic evaluation, which assessed, in each focal area, the cumulative effect of the GEF portfolio: (i) on institutions, (ii) on process, and (iii) in relation to cross-cutting issues including transparency, country-level ownership, capacity development, private sector involvement, innovation and replication, and public involvement through inclusive stakeholder participation.

Focal Area Program Studies

To facilitate the work of the OPS2 team, GEF's Monitoring and Evaluation team, in cooperation with the GEF implementing agencies, decided to undertake program studies in the biodiversity, climate change, and international waters focal areas as well as for land degradation. The role of these program studies was to provide portfolio information and inputs for the OPS2 team's considerations.

The program studies were undertaken by multidisciplinary teams comprising staff from the GEF Secretariat, the three GEF implementing agencies, and the GEF Scientific and Technical Advisory Panel (STAP), with additional support from consultants contracted to undertake detailed studies in different parts of the portfolio as well as to consolidate all the information collected and background documents prepared.

The Program Studies are available from GEF as published reports and are also available at: www.gefweb.org/ResultsandImpact/Monitoring_Evaluation/Evaluationstudies/.

Further Verification

Verification of operational results was carried out through:

- A review of the GEF Operational Strategy, Operational Programs, and other GEF policy documents
- Four team workshops and follow-up briefing meetings with the Secretariat
- Dialogue with GEF's NGO and operational/political focal points
- Review of existing institutional structures and procedures
- Consultations in conjunction with Council meetings and appropriate regional or international environment meetings
- In-country interviews and meetings with key stakeholders, including government staff, GEF operational focal points; NGO representatives; NGO regional focal points; private sector representatives, the Small Grants Program national focal points
- Field visits to selected in-country projects and meetings, interviews, and focus group discussions with GEF project implementation teams and community-level project stakeholders.

In addition, the Team used Goal Attainment Scaling to elicit stakeholders' perceptions of participation, ownership, and processes from participants in OPS2 country visits wherever it was feasible and appropriate. Data was collected from 161 participants; details are presented in Annex 4.

Country Visits and Regional Consultations

Supplementary information from implementing agencies and key stakeholders was collected during the period from March to May 2001, in a series of country visits and visits to selected GEF project sites to verify reported project results and impacts. In addition, input from key partners was sought through six regional meetings held in Eastern Europe (Romania), Africa (Senegal and Nairobi), the Caribbean and Central America (Jamaica and Mexico), and Asia and the Pacific (Bangkok) during March-May 2001.

Process for Country Selection

The Terms of Reference required the Team to visit 10–12 countries. Following extensive consultations with the implementing agencies and the GEF Secretariat, the Team proposed a travel program that involved two to four team members for each visit, covering 11 countries. The process for country selection is set out below.

Suggestions were sought from the GEF Secretariat and the implementing agencies about what they considered to be the most important countries to visit in terms of being able to see verifiable project impacts on the ground, innovative projects, and successful and unsuccessful projects from

which lessons could be learned. The Team also examined the coverage of the program studies in order to avoid duplication of effort.

The Team then examined the project portfolios of countries with significant GEF projects that were either (a) completed, (b) had substantial on-the-ground implementation experience, or (c) offered significant opportunities for assessing the impact, if any, of GEF activities. A table of these suggestions was prepared, and compared with suggestions from each agency. This was supplemented by the Team's own assessments from reviews of project documentation, team members' in-country knowledge, and considerations of the need for coverage of all regions, with representation of large and small countries.

The final selection for country and project visits was arrived at independently by the Team after reviewing project-related documents and soliciting suggestions from all three implementing agencies and the GEF Secretariat. Before completing a final shortlist, the Team carefully checked its identification of such visits against the criteria set forth in its Terms of Reference, that is, number of GEF projects and size of funds allocated, broad representation of projects in the various focal areas, well performing and innovative projects as well as less-well-performing ones, length of GEF involvement, various institutional models for responding to GEF initiatives, and consideration of geographical and other variations between countries.

This process resulted in a shortlist of 15 countries. The shortlist was discussed with the GEF Secretariat, following which the Team alone made a final selection of 11 countries: Argentina, Brazil, China, Jamaica, Jordan, Nepal, Romania, Samoa, Senegal, South Africa, and Uganda. Regional consultations were conducted in conjunction with the visits to Romania, Senegal, and Jamaica; three further regional consultations were also conducted in Bangkok, Thailand; Nairobi, Kenya; and Mexico City.

Preparation for Country Visits and Use of Local Consultants

During the planned country and project visits, the Team made an effort to explore (i) the degree of country ownership in GEF activities, (ii) the relevant linkages between national and local recognition of project results and impact on the country's participation in the Conventions, (iii) the effectiveness of stakeholder involvement (with specific reference to the GEF policy on public involvement) and in-country operational effectiveness of GEF, and (iv) the extent to which there was clear understanding of GEF operational modalities, programs, and policies.

Local consultants in each of the countries selected for visits by the OPS2 team were asked to undertake the following tasks:

- **Preparing and participating in country visits**, including facilitating and scheduling meetings with the government and other key stakeholders, accompanying the study team during country visits, and facilitating focus group discussions and related follow-up activities
- **Carrying out preparatory studies**, including collecting background information on engagement with the private sector and activities in selected GEF focal areas, preparing an overview of press coverage of GEF-financed projects, and conducting a review of project-level participation

- **Preparing an overview paper** including modalities for institutional interaction between GEF Operational Focal Points and key stakeholders, and how these relate to the Conventions.

Country Visits

Country visits and related travel were scheduled for the OPS2 team during the period of March to May 2001:

Argentina	March 12-16
Brazil	March 19-23
South Africa	March 26-30
Romania	April 4-13 (plus Regional Consultation)
Jordan	April 9-13
Senegal	April 16-20 (plus Regional Consultation)
Jamaica	April 23-27 (plus Regional Consultation)
Nepal	May 7-11
Uganda	May 7-11
China	May 14-18
Bangkok	May 21-22 (Regional Consultation only)
Samoa	May 21-25

Six additional executing agency and selected project-related visits were made in addition to the country visits:

Istanbul	March 26-30 – met with Black Sea Secretariat
Hungary	April 9-13 – visited Energy Efficiency Co-Financing Program
Bulgaria	April 9-13 – visited Energy Efficiency Strategy Project
Lebanon	April 9-13 – visited Strengthening of Biodiversity National Capacity Project
UNEP, Nairobi	April 30-May 4
Kenya and Tanzania	May 7-11 – visited Lake Victoria Environmental Management Project; Pollution Control and other Measures to Protect Biodiversity in Lake Tanganyika Project; and Reducing Biodiversity Loss at Cross-Border Sites in East Africa Project

High-Level Advisory Panel

In consultation with the GEF CEO, the Team Leader and the Senior Monitoring and Evaluation Coordinator agreed to appoint a High-Level Advisory Panel to provide guidance and advice to the OPS2 Team. This panel comprised five distinguished experts from Brazil, China, France, Japan, and Jordan. Panel members had broad experience in global environmental negotiations, environmental conventions, and the policymaking context of GEF focal areas and cross-cutting issues.

The Panel advised the OPS2 team on the implementation of the evaluation study and provided guidance to the Team, once it had begun to bring together its first round of findings, on the formulation of its conclusions and recommendations.

Organization of the Study – Team Responsibilities

The eight team members had specific responsibilities for focal areas and cross-cutting issues. They also participated actively in a joint collaborative and consultative process to synthesize the main findings of the evaluation and to formulate its broader conclusions and recommendations. The Team was supported administratively by staff in the GEF Monitoring and Evaluation Unit and used its offices as the main hub for communication and contacts.

Two team members focused particularly on climate change issues, with one focusing also on ozone depletion issues. Two other team members focused on biodiversity issues. An additional two members focused on international waters, with one also covering land degradation issues. Cross-cutting issues were given special attention by the social development expert and by the OPS2 Team Leader.

The entire team met as a group four times:

- First, during the team inception workshop in January 2001 at the GEF Secretariat
- Second, in early-June 2001 after completion of the country and project visits and documentation reviews
- Third, in early August 2001 to formulate the main findings and recommendations arising from the study
- Fourth, in mid-October 2001 to respond to comments from implementing agencies and GEF Secretariat concerning matters of fact and detail.

Organization of the Study – Work Program

The starting point for the Team's work program was verifying reported results and impacts of GEF activities. Country and project visits were used to ascertain the extent to which reported project results and impacts could be verified at country and project levels. Issues such as the degree of country ownership, the extent of recognition of results and impacts, and the effectiveness of stakeholder involvement were examined and tested through country visits and selected project visits.

On completion of its travel program, the Team synthesized its main findings from the country and project visits and the regional consultations, reviewing and beginning to assess these in light of the broader programmatic, policy, and institutional issues to be addressed.

The work program was organized in the following phases:

(i) Inception

First team workshop

January 2001

	Discussions with partners Completion of Inception Report Visit to UNEP-HQ	February 9 February 23-27
(ii)	Documentation Review	February-March
(iii)	Consultation at the CBD SBSTTA6 meeting, Montreal	March 13, 2001
(iv)	Country visits, including regional consultations and project field visits	end of March-May
(v)	Assessment of findings from document reviews And country visits	May-June
	Consultation at Council meeting Consultation with GEF partners Second team workshop	May 10 May-June June 18-29
(vi)	Formulation of main findings	July
	First draft (internal to team) Third team workshop	July 29 July 30-August 5
(vii)	Report writing	August
	Second draft to GEF management and IAs Comments on proposed country references in final report	August 20
(viii)	Review of second draft	August 21-September 7
(ix)	Preparation of interim report for submission to third GEF Replenishment Meeting	September 10 - 26
(x)	Presentation to GEF Replenishment Meeting, Edinburgh	October 11-12
(xi)	Fourth team Workshop	October 16-18
(xii)	Final Draft Report for submission to December 2001 Council Meeting	November 11, 2001
(xiii)	Final Report	January 25, 2002
(xiv)	Translation/Publication	January - March 2002

Table. 1 Countries Covered by Evaluation Work of the GEF Monitoring and Evaluation Team (FY98-FY02)

No	Country	OPS1	Experience with Conservation Trust Funds	Interim Assessment of Biodiversity Enabling Activities	Review of Climate Change Enabling Activities	Multicountry Project Arrangements	Solar PV Review	Biodiversity Program Study	Climate Change Program Study	International Waters Program Study	Medium-sized Projects Review	OPS2
1	Argentina	✓		✓				✓				✓
2	Armenia				✓							
3	Azerbaijan				✓							
4	Bangladesh						✓		✓			
5	Belize			✓								
6	Bolivia				✓							
7	Brazil	✓	✓		✓					✓		✓
8	Bulgaria											✓
9	Cambodia										✓	
10	Cameroon			✓	✓							
11	Central African Republic							✓				
12	China	✓					✓		✓			✓
13	Costa Rica	✓										
14	Cote d'Ivoire	✓									✓	
15	Cuba			✓								
16	Ecuador										✓	
17	Egypt	✓			✓				✓			
18	Egypt			✓								
19	Eritrea			✓								
20	Gabon			✓				✓				
21	Ghana						✓				✓	
22	Guatemala										✓	
23	Guinea										✓	
24	Honduras				✓							
25	Hungary					✓			✓		✓	✓
26	India	✓		✓	✓		✓					
27	Indonesia	✓						✓				
28	Jamaica		✓									✓
29	Jordan	✓										✓
30	Kenya	✓		✓		✓						✓
31	Lebanon				✓							✓
32	Lesotho				✓							
33	Malawi					✓						
34	Malaysia				✓							
35	Mali				✓							
36	Mauritius							✓				
37	Mexico	✓	✓	✓					✓			
38	Namibia									✓		
39	Nepal			✓								✓
40	Pakistan										✓	

No	Country	OPS1	Experience with Conservation Trust Funds	Interim Assessment of Biodiversity Enabling Activities	Review of Climate Change Enabling Activities	Multicountry Project Arrangements	Solar PV Review	Biodiversity Program Study	Climate Change Program Study	International Waters Program Study	Medium-sized Projects Review	OPS2
41	Peru		✓					✓			✓	
42	Philippines	✓		✓	✓	✓		✓			✓	
43	Poland	✓		✓							✓	
44	Regional - Arab States			✓								
45	Regional - Baltic sea					✓						
46	Regional - Caribbean Islands				✓							
47	Regional - Danube Basin					✓						
48	Regional - Mediterranean					✓						
49	Regional - South Pacific Islands			✓	✓							
50	Romania											✓
51	Russia	✓										
52	Samoa											✓
53	Senegal											✓
54	Slovak Republic		✓			✓						
55	Slovenia										✓	
56	South Africa				✓				✓		✓	✓
57	Sri Lanka						✓	✓				
58	Tanzania					✓					✓	✓
59	Thailand								✓			
60	Tunisia								✓			
61	Uganda		✓				✓				✓	✓
62	Ukraine			✓								
63	Uzbekistan									✓		
64	Vietnam	✓			✓		✓				✓	
65	Yemen							✓				
66	Zambia				✓							
67	Zimbabwe	✓		✓								

GOAL ATTAINMENT SCALING (GAS) DATA

The OPS2 team used Goal attainment scaling to elicit stakeholder perceptions of participation, ownership, and processes from participants in OPS2 country visits, wherever it was feasible and appropriate. Data was collected from 161 participants using the matrices presented here. The resulting data is summarized below by country and stakeholder institution.

Goal attainment scaling (GAS) is a method of data collection used to support an evaluation. It is not an evaluation in itself, but the data measured with GAS, and changes in GAS scores over time, can be evaluated. The method is easy to use and was selected by the OPS2 team because it gave an opportunity for participants in OPS2 country visits to make a tangible contribution to the evaluation of GEF's overall performance.

Goal attainment scaling is commonly used in participatory evaluation of intangible project outcomes, such as in the environmental and health sectors. It is founded on neuro-linguistic programming (NLP), which deals with the idea that *you need to be more aware of where you want to go before you can get there*. Because of this, it is ideally suited to evaluation of qualitative investment inputs and outputs such as stakeholder participation, institutional processes, and country ownership.

GAS uses a matrix framework that compares the “level of outcome” (for example, how successful GEF was) against the “goals” that are being sought. The terms “goal” and “outcome” are used to focus on investment frameworks. Ideally, the investment being evaluated will have been developed with a logical framework that clearly sets out the relationship between inputs, outputs, outcomes, and goals of specific or program investments.

There must be a statement of what the expected outcomes are for each goal before work begins – making it similar to creating benchmarks based on the current level of understanding and the expected returns from an investment.

The real strength of goal attainment scaling is that it makes the best guesses of what is expected *conscious*, rather than implicit. This is partly because project stakeholders provide their conscious perceptions and partly because implicit expectations today will change over time even though one may not be aware of it. It also helps institutions consider *what do is really expected for this investment or this part of a program in terms of achievement?*

GAS Data
for OPS2

Country
Summary

Ownership

	Frequency of GAS Score					n
	1	2	3	4	5	
East Africa	2	5	4	29	14	54
Eastern Europe	1	0	0	2	0	3
Jamaica	0	1	2	0	0	3
Latin America	4	0	2	20	7	33
Romania	3	3	3	2	1	12
Samoa	0	3	0	1	0	4
Senegal	6	4	5	12	9	36
Total Frequency	16	16	16	66	31	145

Participation

	Frequency of GAS Score					n
	1	2	3	4	5	
East Africa	0	3	14	23	14	54
Eastern Europe	0	1	2	0	0	3
Jamaica	0	2	2	0	0	4
Latin America	1	6	6	27	7	47
Romania	0	6	3	4	0	13
Samoa	0	0	9	2	0	11
Senegal	1	11	4	4	9	29
Total Frequency	2	29	40	60	30	161

Processes

	Frequency of GAS Score					n
	1	2	3	4	5	
East Africa	0	0	0	0	0	0
Eastern Europe	0	0	0	0	0	0
Jamaica	1	3	0	0	0	4
Latin America	1	0	1	0	1	3
Romania	0	3	4	3	2	12
Samoa	0	4	0	0	0	4
Senegal	14	8	3	1	4	30
Total Frequency	16	18	8	4	7	53

GAS Data
for OPS2

Institutional
Summary

Ownership

	Frequency of GAS Score					n
	1	2	3	4	5	
Government	0	3	4	10	3	20
NGO	8	3	5	0	4	20
Executing Agency	5	8	4	42	17	76
Project Participant	1	1	3	12	6	23
Project Beneficiary	2	1	0	2	1	6
Other	0	0	0	0	0	0
Total Frequency	16	16	16	66	31	145

Participation

Frequency of GAS Score

	Worse than expected		As expected		Better than expected	n
Government	0	1	2	6	4	13
NGO	0	18	7	8	2	35
Executing Agency	0	5	18	28	18	69
Project Participant	1	3	12	16	5	37
Project Beneficiary	1	2	1	2	1	7
Other	0	0	0	0	0	0
Total Frequency	2	29	40	60	30	161

	Frequency of GAS Score					n
	1	2	3	4	5	
Government	2	3	2	3	4	14
NGO	12	7	2	1	0	22
Executing Agency	0	8	3	0	2	13
Project Participant	2	0	1	0	1	4
Project Beneficiary	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total Frequency	16	18	8	4	7	53

GAS Data for OPS2

Trend Summary - Countries

Ownership

	% distribution of GAS Score					n
	1	2	3	4	5	
East Africa	3.7%	9.3%	7.4%	53.7%	25.9%	1
Eastern Europe	33.3%	0.0%	0.0%	66.7%	0.0%	1
Jamaica	0.0%	33.3%	66.7%	0.0%	0.0%	1
Latin America	12.1%	0.0%	6.1%	60.6%	21.2%	1
Romania	25.0%	25.0%	25.0%	16.7%	8.3%	1
Samoa	0.0%	75.0%	0.0%	25.0%	0.0%	1
Senegal	16.7%	11.1%	13.9%	33.3%	25.0%	1
% distribution of total	11.0%	11.0%	11.0%	45.5%	21.4%	100.0%

Participation

	% distribution of GAS Score					n
	1	2	3	4	5	
East Africa	0.0%	5.6%	25.9%	42.6%	25.9%	1
Eastern Europe	0.0%	33.3%	66.7%	0.0%	0.0%	1
Jamaica	0.0%	50.0%	50.0%	0.0%	0.0%	1
Latin America	2.1%	12.8%	12.8%	57.4%	14.9%	1
Romania	0.0%	46.2%	23.1%	30.8%	0.0%	1
Samoa	0.0%	0.0%	81.8%	18.2%	0.0%	1
Senegal	3.4%	37.9%	13.8%	13.8%	31.0%	1
% distribution of total	1.2%	18.0%	24.8%	37.3%	18.6%	100.0%

Processes

	% distribution of GAS Score					n
	1	2	3	4	5	
East Africa	0.0%	0.0%	0.0%	0.0%	0.0%	0
Eastern Europe	0.0%	0.0%	0.0%	0.0%	0.0%	0
Jamaica	25.0%	75.0%	0.0%	0.0%	0.0%	1
Latin America	33.3%	0.0%	33.3%	0.0%	33.3%	1
Romania	0.0%	25.0%	33.3%	25.0%	16.7%	1
Samoa	0.0%	100.0%	0.0%	0.0%	0.0%	1
Senegal	46.7%	26.7%	10.0%	3.3%	13.3%	1
Total Frequency	30.2%	34.0%	15.1%	7.5%	13.2%	100.0%

	Worse than expected		As expected		Better than expected	
Ownership	11.0%	11.0%	11.0%	45.5%	21.4%	100.0%
Participation	1.2%	18.0%	24.8%	37.3%	18.6%	100.0%
Processes	30.2%	34.0%	15.1%	7.5%	13.2%	100.0%

ANNEX 4

HIGH-LEVEL ADVISORY PANEL

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ANNEX 5

TEN OPERATIONAL PRINCIPLES FOR DEVELOPMENT AND IMPLEMENTATION OF GEF'S WORK PROGRAM

1. For purposes of the financial mechanisms for the implementation of the Convention on Biological Diversity and the United Nations Framework Convention on Climate Change, the GEF will function under the guidance of, and be accountable to, the Conference of the Parties (COPs).^[3] For purposes of financing activities in the focal area of ozone layer depletion, GEF operational policies will be consistent with those of the Montreal Protocol on Substances that Deplete the Ozone Layer and its amendments.
2. The GEF will provide new, and additional, grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits.
3. The GEF will ensure the cost-effectiveness of its activities to maximize global environmental benefits.
4. The GEF will fund projects that are country-driven and based on national priorities designed to support sustainable development, as identified within the context of national programs.
5. The GEF will maintain sufficient flexibility to respond to changing circumstances, including evolving guidance of the Conference of the Parties and experience gained from monitoring and evaluation activities.
6. GEF projects will provide for full disclosure of all non-confidential information.
7. GEF projects will provide for consultation with, and participation as appropriate of, the beneficiaries and affected groups of people.
8. GEF projects will conform to the eligibility requirements set forth in paragraph 9 of the GEF Instrument.
9. In seeking to maximize global environmental benefits, the GEF will emphasize its catalytic role and leverage additional financing from other sources.
10. The GEF will ensure that its programs and projects are monitored and evaluated on a regular basis.

OPERATIONAL PROGRAMS OF THE GEF

There are 13 operational programs (OPs) through which the GEF provides grants. Twelve of these reflect GEF's primary focal areas: five in the biodiversity focal area, four in climate change, and three in international waters. OP 12, Integrated Ecosystem Management, encompasses cross-sectoral projects that address ecosystem management in a way that optimizes ecosystem services—ecological, social, and economic. These services encompass biodiversity, carbon sequestration, land and water conservation, food production, sustainable livelihoods, and the production of marketable goods and services. Projects to combat ozone depletion are not grouped among multiple operational programs.

Biodiversity

- OP #1 Arid and Semi-Arid Zone Ecosystems
- OP #2 Coastal, Marine, and Freshwater Ecosystems
- OP #3 Forest Ecosystems
- OP #4 Mountain Ecosystems
- OP #13 Conservation and Sustainable Use of Biological Diversity Important to Agriculture

Climate Change

- OP #5 Removal of Barriers to Energy Efficiency and Energy Conservation
- OP #6 Promoting the Adoption of Renewable Energy by Removing Barriers and Reducing Implementation Costs
- OP #7 Reducing the Long-Term Costs of Low-Greenhouse-Gas-Emitting Energy Technologies
- OP # 11 Promoting Environmentally Sustainable Transport

International Waters

- OP #8 Waterbody-Based Operational Program
- OP #9 Integrated Land and Water Multiple Focal Area Operational Program
- OP #10 Contaminant-Based Operational Program

Multifocal Area

- OP #12 Integrated Ecosystem Management

ANNEX 6

OPS1 RECOMMENDATIONS

PRIORITY RECOMMENDATION 1: THE FOCAL POINT SYSTEM

In order to enable Operational Focal Points to be more effective advocates for GEF issues in their country, the GEF Secretariat and Implementing Agencies should broaden the existing Project Development Workshop format by involving the Operational Focal Points as much as possible in planning and execution and by focusing more on the coordination and information dissemination functions of the Operational Focal Points.

The GEF should provide resources for translation of basic GEF documents into the local languages of those countries requiring such translated documents.

Progress

In direct response to priority recommendation 1, a project to finance 50 Country Dialogue Workshops (CDWs) was approved by the Council in May 1999. The workshops are designed to promote country ownership, facilitate national coordination and enhance awareness-building by means of direct dialogue with countries on the GEF and national priorities through targeted, participatory workshops. The main objective of the workshops is to facilitate group dialogue amongst and between the workshop participants and the GEF and its Implementing Agencies, the Convention Secretariats, and STAP. The workshops effectively allow the GEF to:

- inform a broad national audience about the GEF, including its governance and mission, strategy, policies, and procedures;
- facilitate national stakeholders' inputs to and information sharing on the country's priorities, including national coordination efforts, to ensure that national priorities are fully reflected in GEF assistance; and
- provide practical information on how to access GEF resources and how to propose, prepare, and implement GEF co-financed activities.

In the period April 2000 to March 2001, 17 GEF Country Dialogue Workshops were conducted: South Africa (April 4-7, 2000), Vietnam (April 25-29, 2000), Uzbekistan (June 5-8, 2000), Egypt (June 26-28, 2000), Nigeria (July 18-21, 2000), Algeria (July 24-26, 2000), Caribbean sub-regional³⁰ (August 8-11, 2000), Philippines (August 22-25, 2000), Malawi (October 3-6, 2000), Tanzania (November 6-9, 2000), Sri Lanka (November 7-10, 2000), Caribbean sub-regional³¹ (December 5-8, 2000), Cuba

³⁰ All member states of the Organization of Eastern Caribbean States as well as Barbados participated in this sub-regional workshop hosted by Dominica.

³¹ Bahamas, Guyana, Jamaica, Suriname, and Trinidad and Tobago participated in this sub-regional workshop hosted by Trinidad and Tobago.

(December 12-15, 2000), Azerbaijan (January 30-February 2, 2001), Tunisia (February 20-23, 2001), Bolivia (March 6-9, 2001) and Cambodia (March 13-16, 2001). A total of 27 countries participated in 15 national and two sub-regional CDWs during the period. On average, a Workshop is being conducted every three weeks since the workshops were first initiated.

Participants for all workshops represented a wide range of stakeholders, including government representatives, non-governmental organizations, academic institutions, scientific communities, donor organizations, the private sector, and the media, as well as resource persons from the GEF Secretariat and its three Implementing Agencies. The average number of national participants per CDW was approximately 90, with more than 1,500 participants attending the 17 CDWs to date.

The results of workshop evaluations are encouraging and indicate that the multi-stakeholder participants felt the CDWs met or exceeded the workshop objectives as outlined above. The workshops are providing a unique platform for countries to engage in a comprehensive dialogue with the GEF and its implementing agencies to clarify GEF's role as a partner and ensure that national priorities are fully reflected in GEF assistance.

As of March 2001, 95 countries have offered to host workshops. These offers are evaluated by the GEF CDW steering committee using criteria that include: convention ratification; no previous GEF awareness workshops; cost effectiveness; lack of strong GEF portfolio/pipeline; significance of concerns in one or more focal areas; submission of biological diversity national reports or climate change national communications; and regional balance.

At its May 1999 meeting, the Council approved a series of proposed activities and associated financial resources to strengthen country level coordination, as proposed in document *GEF/C.13/13, Constituencies and Assistance for Council Level Coordination*. The GEF Secretariat reported on steps that had been undertaken to provide the approved support to focal points through the Implementing Agencies' field offices in May 2000 (*GEF/C.15/Inf.8*).

The proceedings of the workshop on Good Practice in Country Level Coordination, which took place on March 14 –15, 2000, have been published and will be made available to all national focal points as well as to national focal points of the Convention on Biological Diversity and the UN Framework Convention on Climate Change.

PRIORITY RECOMMENDATION 2: COMMUNICATIONS AND OUTREACH

The GEF Council should authorize and adequately fund the development of a GEF outreach and communications strategy that targets GEF's multiple constituencies, including the Focal Points and relevant government agencies, NGOs and civil society, the media and the private sector. The strategy should rely on simple, user-friendly materials about the GEF and its operations, and should include provision of basic GEF

documents in local languages. This strategy should be coordinated with the broadening of the Project Development Workshops.

Progress

The Corporate Budget for FY00 made provision to fund the outreach and communications strategy. Continued support for the strategy is envisioned in the Corporate Business Plan FY01-03 (*GEF/C.14/9*) and was budgeted for in the GEF Corporate Budget FY01 (*GEF/C.15/5*) and proposed GEF Corporate Budget FY02 (*GEF/C.17/11*). A brief report on FY01 outreach and communications activities is included in document GEF/C.17.11. The May 2001 Council also had before it for consideration proposals to enhance GEF outreach and communications with regard to the World Summit on Sustainable Development (GEF/C.17.9) and the Second GEF Assembly (GEF/C.17.10).

PRIORITY RECOMMENDATION 3: MAINSTREAMING BY THE IMPLEMENTING AGENCIES

The World Bank

The World Bank should adopt public, measurable goals for the integration of global environmental objectives into its regular operations, including goals related to: 1) staff incentives, 2) funding level and/or number of GEF associated projects, 3) funding level and/or number of projects for the global environment in its regular lending portfolio, and 4) integration into its sector work and the Country Assistance Strategy (CAS) process. It should report regularly to GEF and to the public on its progress in achieving these objectives.

The World Bank should begin a transition from its role in financing conventional power loans to a new role in financing sustainable energy technologies.

The World Bank should allocate increased financial resources to the Global Overlays Program in order to ensure adequate staffing for a substantially higher level of integration of global environment into sector work and the CAS process.

The IFC

The IFC should maintain a database of its projects with global environmental benefits, so that its mainstreaming of global environment can be assessed in the future.

UNDP

UNDP should establish a system of tracking projects and components that are relevant to the GEF focal areas and set public, measurable targets related to: 1) funding levels and/or number of core-funded projects for biodiversity conservation, alternative energy and international waters, 2) funding level and/or number of GEF-associated projects, and 3) the Country Cooperation Frameworks (CCFs). It should report regularly to GEF

and to the public on its progress in achieving those targets. It should also consider making linkages between potential GEF projects and potential core budget project an explicit objective of the process of preparing the Country Cooperation Frameworks.

UNEP

UNEP should devise a system of staff incentives, involving at least a revision of staff evaluation criteria, to give adequate consideration to GEF work.

The GEF Secretariat and UNEP should devote more staff time and resources to upstream consultation not only in Washington but also in Nairobi to ensure that all relevant UNEP program staff have adequate guidance in formulating GEF proposals.

Progress

The Corporate Business Plan presented to the Council meeting in December 1999 (GEF/C.14/9) identified indicators that would be used regularly to assess the depth of the Implementing Agencies' commitment to GEF.

At the December 1999 meeting there was a presentation of the "World Bank Group Progress Report on the Preparation of an Environment Strategy (GEF/C.14/3).

At the May 1999 Council Meeting UNDP submitted the paper "Integrating GEF-Related Global Environment Objectives into UNDP Managed Programs and Operations. An Action Plan (GEF/C.14/4).

At the May 2000 Council Meeting UNEP submitted an "Interim Report of the UNEP Executive Director on the Implementation of the UNEP/GEF Strategic Partnership Activities", GEF/C. 15/Inf. 5, and the "Implementation of the Action Plan on the Complementarity between the Activities undertaken by UNEP and the GEF and its Programme of Work". (GEF/C. 15/Inf. 15).

The May 2001 Council documentation included a new *World Bank Environment Strategy (GEF/G.17/Inf.15)* which outlines the efforts towards mainstreaming global environment in the World Bank operations.

PRIORITY RECOMMENDATION 4: IMPLEMENTING AGENCY MONOPOLY

The GEF Council should undertake a study of the advantages and disadvantages of various approaches to permitting additional organizations to propose GEF projects directly to the Secretariat and assume direct responsibility for GEF projects.

Progress

At the May 1999 meeting, the Council approved the approach proposed in document GEF/C.13/3, *Expanded Opportunities for Executing Agencies*, for participation of Regional Development Banks in preparing and executing GEF projects. FAO and UNIDO have also been identified by the Council as agencies to benefit from this

approach. At the May 2000 Council Meeting the GEF submitted a “Progress Report on Expanded Opportunities for Executing Agencies (GEF/C.15/4). A proposal for *Criteria for the Expansion of Opportunities for Executing Agencies* was before the Council (GEF/C.17/13) for consideration at the May 2001 meeting, together with a proposal to include IFAD as an agency benefiting from this approach.

PRIORITY RECOMMENDATION 5: INCREMENTAL COSTS

A working group representing the GEF Secretariat and the Implementing Agencies should, in consultation with the convention secretariats, develop simpler, more straightforward guidance and communication for recipient country officials on the calculation of incremental costs and a strategy for increasing their involvement in the process of estimating those costs.

Progress

At the December 1999 meeting the GEF submitted a report on the Incremental Cost (GEF/C.14/5). In addition, as part of its continuing effort on this issue, the GEF Secretariat, in collaboration with the working group on incremental costs (which includes the Implementing Agencies and Convention Secretariats) has recently commissioned a new consultant to undertake work to explore creative options in the application of the principle of incremental costs. The incremental cost is also an issue in the Second Study of GEF’s Overall Performance (OPS2).

PRIORITY RECOMMENDATION 6: PRIVATE SECTOR

The GEF Secretariat and Implementing Agencies should engage business and banking associations and mobilize financing from individual private financial sector companies, such as banks, insurance companies and pension funds. To interest the financial sector in GEF projects, the GEF should use the “incremental risk” of a potential private sector GEF project as a way of determining the size of the GEF grant.

GEF should identify and apply techniques for reducing the risk of the private investors of participating in GEF projects, such as using GEF funds to provide loan guarantees.

Progress

Significant progress has been made in including many new projects with private sector involvement in the GEF work program. The role of the private sector is typically that of provider of technology, goods and services, awarded through competitive bidding processes where the private sector responds to requests for proposals or co-finances specific components of projects or activities.

In the May 2001 work program a good example was the *Croatia: Energy Efficiency* project, which will address two specific barriers to energy efficiency in the country – lack of development and project financing, and lack of capacity and know-how – by creating a utility-based ESCO supported by an innovative blend of funding mechanisms: an IBRD

Learning and Innovation Loan, a GEF Contingent Grant, a GEF Partial Credit Risk Guarantee and GEF Grant for Technical Assistance (see *GEF/C.17/7*).

Recently approved projects with significant private sector participation include the *China: Windpower Development* project in which a GEF-financed contingent loan is used to address key barriers to commercial wind investments in China, namely increased transaction costs for initial investments in certain regions and perceived technology performance risks.

PRIORITY RECOMMENDATION 7: GEF COUNCIL REVIEW

The GEF Council should seriously consider delegating the second review of project proposals to the GEF Secretariat.

Progress

At the October 1998 Council meeting, document *GEF/C.12/9, Streamlining the Project Cycle*, was discussed by the Council. In order to further expedite the project cycle, the Council agreed that in approving work programs, with the exception of certain agreed projects, it would authorize the CEO to endorse final project documents without awaiting a four-week review by Council Members.³² This recommendation is closed.

OTHER RECOMMENDATIONS FROM THE STUDY OF GEF'S OVERALL PERFORMANCE

Recommendation 8

The GEF Council should address the need for a clear definition of “new and additional” financing for the GEF, including the indicators that should be used in measuring additionality.

Donor countries should consider separating budget lines for global environmental measures in developing countries and for contributions to GEF from budget lines for development cooperation.

Progress

In document *GEF/C.12/7* presented at the October 1998 Council meeting, the Council was invited to discuss this issue and make recommendations for possible follow up, at the individual donor country level and/or at the international level, including the UN General Assembly, ECOSOC and/or the OECD/DAC. No recommendations emerged from the Council discussion. No further action on this recommendation is currently planned.

³² *Joint Summary of the Chairs*, GEF Council meeting, October 14-16, 1998. Paragraph 13.

Recommendation 9

GEF should regularly review and compare its own portfolio and project pipeline with those of other institutions to ensure that it is either providing significant additional resources or demonstrating a comparative advantage over other institutions involved in funding the same activities. In this regard, particular attention should be paid to GEF support for solar photovoltaics, energy-efficient lighting, and biodiversity trust funds.

GEF should work with the OECD and other appropriate international institutions to ensure that reliable, comparable data on financing measures to protect the global environment, including data on different types of projects, is compiled and made available to the public.

Progress

With respect to recommendation 9 (a), an evaluation of biodiversity trust funds has been completed and it included a review of the comparative roles of GEF and other donors in supporting these mechanisms.³³ A review of experience with solar photovoltaics projects, including activities supported by key multilateral and bilateral agencies, has also been completed last year.³⁴ On September 25-28, 2000, approximately 100 people from 17 developing countries, 11 developed countries and key multilateral organizations met in Marrakech, Morocco, to discuss current and future government programs, private initiatives and opportunities to promote photovoltaic electricity generation in developing countries. Through a combination of plenary sessions and small working groups, the participants, whose expertise covered all aspects of the photovoltaic market, discussed and debated the critical issues related to the growth and success of photovoltaic markets in developing countries. The workshop concluded that GEF could promote and pilot viable business models; help with risk sharing; promote rational rural electrification policies; influence governments to be more supportive of photovoltaics; and support of photovoltaic market segments which will assist in development of infrastructure.

With respect to recommendation 9 (b), GEF has taken the lead in developing and implementing an information-sharing and data-exchange initiative among international institutions involved in global environment investments. In March 2001, representatives from 15 funding and development organizations/agencies, and the Climate Change and Biodiversity Conventions participated in an information-sharing workshop organized by GEF, in collaboration with UNEP, to discuss strategies and mechanisms for improving general access to information on environment investment and project activities funded and implemented by different donor organizations. The participating organizations encouraged GEF to take the lead in developing and expanding this initiative to encompass as many funding and development organizations/agencies as possible .

³³ Global Environment Facility, *Experience with Conservation Trust Funds*, Evaluation Report #1-99, January 1999.

³⁴ Eric Martinot, Ramesh Ramankutty and Frank Rittner. *The GEF Solar PV Portfolio: Emerging Experience and Lessons*. Monitoring and Evaluation Working Paper 2. August 2000.

Recommendation 10

The GEF should adopt a rigorous definition of “leveraging” that includes only funding that is additional to existing funding patterns and that is expected to create global environmental benefits. It should apply this definition in the Quarterly Operational Report and other relevant GEF documents. Implementing Agencies should apply this more rigorous definition in their own databases and reports on cofinancing of GEF projects.

When there is sufficient experience with implementation of GEF projects, the GEF’s Senior Monitoring and Evaluation Coordinator should commission a study of the replicability of projects in the GEF portfolio.

Progress

A main recommendation of the 1998 PIR was that GEF should adopt a broader definition of leveraging for its programs and projects that reflects financial resources – both during design and implementation – and actions catalyzed by GEF activities. Upon a fuller consideration of this question, the Secretariat concluded that “leverage” should be retained as a term to denote additional financial resources. However, GEF will focus more attentively on its catalytic role, through “demonstration effects” and “replication.”

With respect to recommendation 10 (b), an evaluation of replicability of GEF projects is included in the Secretariat’s indicative monitoring and evaluation work program for FY00-02. This aspect is covered as part of the Program Studies that assess the performance of GEF focal area programs (see *GEF/C.17/Inf.4-6*).

Recommendation 11

The GEF Council should adopt a policy, paralleling that for stakeholder participation, aimed at promoting the greater use of local and regional consultants in projects; encouraging an appropriate mix of local and foreign experts in GEF projects; and securing greater recipient government participation in the screening, short-listing and selection of project consultants

Progress

Through the strategic partnership with UNEP to mobilize the scientific and technical community, GEF will be able to stimulate greater involvement of local and regional experts in projects. Also through the expanded partnerships, it is expected that national and regional competence will be increasingly used in GEF. The UN-wide Administrative Instruction (ST/AI/1999/7) concerning consultants and individual contractors of August 1999 places specific emphasis on the selection of consultants from the widest possible geographical base. Both UNDP and UNEP are covered by these policy guidelines. UNEP reports that during 1999-2000 about 45% of consultants hired for GEF projects managed by UNEP headquarters were from developing countries. Since almost all consultants hired for nationally executed UNEP/GEF projects are local, this figure would be much higher if these projects were taken into account.

The World Bank's policies and procedures for selecting, contracting and monitoring consultants are defined by the Bank's *"Guidelines: Selection and Employment of Consultants by World Bank Borrowers"*. The Bank's clients use consultants to help in a broad range of activities to complement the client's capabilities in these areas. According to the Bank's Guidelines, the client is responsible for preparing and implementing projects, and therefore for selecting consultants, and awarding and subsequently administering the contract. The World Bank encourages the development and use of national consultants in its developing member countries. In general, the World Bank uses local consultants in project development and implementation where possible, because they are more cost-effective and have better knowledge of the country situation, and because preparation grants and projects are usually country-executed.

Recommendation 12

The GEF Secretariat should work with Implementing Agencies to develop quantitative and qualitative indicators of successful stakeholder involvement at different stages of the GEF project cycle, and to document best practices of stakeholder participation by focal area.

Progress

The GEF good practice paper *Designing Public Involvement Activities in GEF-Financed Projects* provides practical guidance for strengthening stakeholder participation throughout the project cycle. The paper focuses on ensuring consistent documentation across the implementing agencies describing completed or planned stakeholder consultations as well as built-in mechanisms for long-term involvement in project decision making and operations. The paper also makes sure that financing these activities is reflected in the project's budget. Indicators of effective stakeholder participation are being developed and tested in a few projects. Additionally, through the coordination of the GEF's M&E unit, program study reviews, special studies, and lessons notes contain examples of how stakeholder groups are actively involved in the project's design and implementation. With regard to participation of vulnerable populations in projects, the GEF produced a booklet in September 2000 (*What Kind of World*) containing good practices in dealing with gender, age, and culture (indigenous communities) issues. The Program Studies undertaken in FY01 also cover stakeholder participation (see *GEF/C.17/Inf.4-7*).

Recommendation 13

The GEF project submission format's description of project risks should call for identification of any specific policies or sectoral economic activities that could negatively affect project success, as well as the steps that need to be taken to reduce the risks to project success from those policies and activities.

The GEF should adopt a policy requiring that Implementing Agencies obtain clear, formal commitments from recipient country governments regarding policies and sectoral

activities identified as increasing the risk of project failure before proceeding with project implementation.

Progress

As indicated in document *GEF/C.12/7*, no additional steps are necessary to carry out this recommendation. Implementing Agencies have been asked to make explicit reference in project briefs to such policies, activities, and steps. The *2000 Project Implementation Review (GEF/C.17/8)* paid particular attention to how external and internal risks related to political, economic or institutional issues that can have an impact on a project's success have been identified and monitored in ongoing GEF projects. This recommendation is closed.

Recommendation 14

The GEF Secretariat and Implementing Agencies should require that project proposals contain a more thorough assessment of options for achieving financial sustainability.

The GEF Secretariat and Implementing Agencies should encourage the broader use of biodiversity trust funds to help ensure the funding of biodiversity projects in perpetuity. The Implementing Agencies should continue to seek a high rate of leveraging of other sources of trust fund capital.

The Implementing Agencies should provide for longer project implementation periods--for example, five to seven years instead of three to five years--in cases in which project sponsors can show that extra time will be necessary to implement the project and demonstrate its viability for future funders.

Progress

With respect to recommendation 14 (a), financial sustainability is a key feature examined in the review of project proposals. The GEF Secretariat identifies, during work program preparation, examples of good project design that seek to ensure financial sustainability. Collective experience in this area will be shared with Implementing Agencies so that future project designs can incorporate identified good practice. In addition, a thematic review on achieving sustainability of biodiversity conservation carried out by the corporate monitoring and evaluation team has been completed.³⁵

Regarding recommendation 14 (b), the evaluation of experience with conservation trust funds provided recommendations to guide further GEF support of these funds³⁶.

With respect to recommendation 14 (c), a key conclusion of both the 1998 and 1999 PIRs was the need for longer term and more flexible approaches to addressing global environmental problems than is accommodated in current project instruments. In many

³⁵ Scott Smith and Alejandra Martin. *Achieving Sustainability of Biodiversity Conservation: Report of a GEF Thematic Review*. Monitoring and Evaluation Working Paper 1. July 2000.

³⁶ *Experience with Conservation Trust Funds*. Evaluation Report #1-99.

cases, this calls for a phased approach that sets out firm benchmarks for moving from one phase to the next, and provides assurance of support over ten years or longer if these benchmarks are met.

Project proposals currently being received generally have longer implementation periods than the 3-5 years typical of projects previously undertaken. In addition, the World Bank is now actively employing its “Adaptable Program Loan” instrument – which provides funding on a long-term basis (10-15 years) – in its GEF portfolio. UNDP is also actively exploring similar approaches.

GEF is in the process of developing programmatic approaches with the aim of securing larger and sustained impact on the global environment through integrating and mainstreaming global environmental objectives into a country’s national strategies and plans through partnership with the country.

Recommendation 15

The GEF should play a more proactive role in its relations with the conventions and should, in consultation with Implementing Agencies, prepare more detailed requests for guidance on those issues on which guidance would be most helpful.

The GEF Secretariat, the Implementing Agencies, and the convention secretariats should undertake a comprehensive review of enabling activities before the end of 1998 to determine how successful the projects have been, analyze the reasons for those that have failed, and consider policy and programmatic responses to the problem.

Progress

GEF continues to collaborate and interact on GEF’s operational policies and operations, both between and during the Conferences of the Parties of both conventions, as well as their regional and subsidiary body meetings. The GEF Secretariat has regular meetings with the Convention Secretariats to discuss matters of mutual interest. The Convention Secretariats routinely participate in reviewing GEF project proposals and in the GEF Operations Committee meetings.

The UNDP-GEF Secretariat Strategic Partnership on Capacity Development Initiative established mechanisms whereby the Climate Change and Biodiversity Convention COPs and subsidiary bodies were regularly consulted. The CDI has now been completed and a final report was presented to the Council in the document *Elements of Strategic Collaboration and a Framework for GEF Action for Capacity Building for the Global Environment (GEF/C.17/6)*.

The GEF corporate monitoring and evaluation team has completed a study of Biodiversity Enabling Activities (presented to the Council in its 14th meeting in document *GEF/C.14/11*). Its Review of Climate Change Enabling Activities was completed and presented to the Council in 2000 (*GEF/C.16/10*). The studies were carried out in consultation with the Convention Secretariats.

Recommendation 16

The Council should provide a new, more sharply focused mandate for the STAP in light of the change in the GEF's needs and the experience of STAP during GEF

Progress

The work program of the recently reconstituted STAP has been sharply focused on priorities emerging in the context of GEF's Corporate Business Plan. As noted in document GEF/C.12/7, an amendment of the STAP's mandate is not regarded as necessary. This recommendation is closed.

Recommendation 17

In order to encourage continued adherence by the World Bank to its streamlined project cycle, the GEF Secretariat should allow the Implementing Agencies to submit a range of estimates when a project is first submitted, on the understanding that a firm estimate will be submitted for final approval.

Progress

As noted in document GEF/C.12/7, current guidelines and practice are regarded as adequate. This recommendation is closed.

Recommendation 18

The GEF Council should authorize the GEF Secretariat and Implementing Agencies, in consultation with the Secretariat of the CBD, to undertake a formal exercise to identify the ecosystems and ecosystem types within each Operational Program in biodiversity that should be the highest priorities for GEF in terms of a set of agreed criteria, including those specified in the Operational Strategy.

Progress

As noted in document GEF/C.12/7, responsibility for determining program priorities in the biodiversity focal area rests with the Conference of the Parties of the Convention on Biological Diversity. A formal exercise to identify priority ecosystems is not consistent with GEF's country-driven approach. The Biodiversity Program Study (GEF/C.17/Inf.4) assesses the GEF portfolio by its coverage of ecosystem types. This recommendation is closed.

Recommendation 19

The GEF Secretariat should compile information on successful projects in sustainable use from NGOs and other bilateral and multilateral agencies worldwide, and disseminate them to Implementing Agencies and recipient country Focal Points.

Progress

Information on successful projects in sustainable use was compiled and distributed to a wide range of readers through a variety of communications vehicles, including monitoring and evaluation documents such as the Project Performance Report. Early Impacts, Promising Futures, the 1998 GEF special edition Annual Report, offered short descriptions of a number biodiversity projects providing insights into sustainable use as well as conservation. This publication was widely distributed in three languages. A follow-on effort to identify leading project examples for the United Nations Commission on Sustainable Development resulted in brief "success story" descriptions of seven GEF projects covering all four focal areas. The 2000 Project Implementation Review (GEF/C.17/8) also identified projects where biodiversity conservation and sustainable use had been successfully linked with improvements in the well-being of stakeholders.

OTHER RECOMMENDATIONS FROM THE POLICY RECOMMENDATIONS FOR THE SECOND REPLENISHMENT PERIOD

In policy recommendation number 2, the Secretariat was called upon "...to further develop the GEF resource allocation strategy to maximize global impacts and effectiveness of operations, and to make the development of broad 'performance indicators' a high priority."

Policy recommendation number 4 called for "...the further strengthening of the Secretariat monitoring and evaluation function by providing additional capacity for independent evaluation and for the urgent development of performance indicators...."

Progress

In cooperation between the GEF Secretariat, its Implementing Agencies and STAP program indicators were developed for the GEF climate change and biodiversity programs last year. The indicators have been tested during the implementation of the program studies (GEF/C.16/Inf. 4-5). The indicators in climate change have proved to be very useful, while those for biodiversity were found less satisfactory. It is proposed in the monitoring and evaluation work program for FY 2002 that the program indicators for biodiversity will be revised. It is further proposed that indicators for International Waters and land degradation as it relates to GEF programs, will be developed.

An additional staff member joined the GEF's corporate monitoring and evaluation team in May 1999. Over the past few years there has been an increase in the participation in the corporate M&E activities by the Implementing Agencies and STAP.

ANNEX 7

MAINSTREAMING IN THE IMPLEMENTING AGENCIES

THE WORLD BANK

(Source: Making Sustainable Commitments: An Environment Strategy for the World Bank. GEF/C.17/Inf. 15, May 2001)

The Environment Strategy sets a direction for the World Bank's actions on environmental issues. It is based on an understanding that addressing environmental problems and sustainably managing natural resources is fundamental to the Bank's core objective of poverty alleviation...The rationale for this Environment Strategy is threefold:

- *Learning and applying lessons.* The Strategy builds on the lessons learned in the past decade both from our own efforts and from those of others. It seeks to more effectively internalize these lessons, and accelerate progress toward integrating environment and development.
- *Adapting to a changing world.* A number of trends – globalization, the increased role of the private sector and of civil society, rapid technological advances - have been reshaping the world. The Bank has also been changing. It has reaffirmed its commitment to poverty reduction, adopted a bottom-up, client-focused approach to development, and is moving toward new lending approaches. Our work on the environment must also adapt to these changing conditions.
- *Deepening our commitment.* To date, environmental issues have too often been the concern of a small, specialized group. This is clearly insufficient. To make a substantial and lasting difference, we must ensure that environmental concerns are fully internalized – “mainstreamed” – into all the Bank's activities. (Page xii)

The Strategy sets three interrelated objectives: improving people's quality of life; improving the prospects for and quality of growth; and protecting the global commons.

Protecting the quality of the regional and global commons. The search for solutions needs to go beyond individual countries. The deteriorating quality of the regional and global commons threatens many developing countries. They face potential conflicts over shared resources, such as scarce water supplies, and are expected to suffer most of the worst effects of climate change. A poverty-focused environmental agenda will require interventions to protect the global environmental commons that are carefully targeted to benefit developing countries and local communities. The Bank has taken a leadership role in addressing global issues. When it is appropriate, we will seek to engage the GEF

and other special financing mechanisms to compensate countries for the incremental costs they incur to protect the global commons. *(Page xiv)*

MAINSTREAMING THE GLOBAL ENVIRONMENT IN THE COUNTRY DIALOGUE

Continued progress in incorporating global environmental objectives at the project level depends on how well the environment and its global dimension are mainstreamed in the country dialogue. Progress on this front has been mixed. The analysis of CASs completed in fiscal 1999 showed that a limited number addressed local environmental issues of global concern and that GEF activities, although mostly identified, were only in part linked strategically to the CAS objectives. With a few notable exceptions, CASs did not acknowledge a role for the Bank in helping countries address their responsibilities under global environmental conventions.

Although operational policies and sectoral strategies are largely responsive to global environmental objectives, the analytical tools and skills for measuring global externalities and understanding their links to national sustainable development and poverty are not sufficiently available. Improved country sector work focused on the global environment and linkages with local priorities is needed to inform the country dialogue. *(Pages 28-29)*

THE CHANGING BANK CONTEXT

The renewed efforts to fight poverty, the need to respond to a rapidly changing global context, and emerging lessons on development aid effectiveness call for a reinforced effort to focus on the needs and aspirations of client countries by supporting broad-based growth, bottom-up initiatives, openness, and partnerships with stakeholders affected by development decisions. These principles are expressed in the Comprehensive Development Framework (CDF).

It (CDF) offers an opportunity to approach environmental challenges holistically, by catalyzing local initiatives, taking a long-term perspective on development, and focusing on coordinated strategies among development partners. *(Page 30)*

PROTECTING THE QUALITY OF THE REGIONAL AND GLOBAL COMMONS

The degradation of regional and global environmental resources can constrain economic development. It often disproportionately affects developing countries and poor people.

...the Bank has accepted the mandate to help client countries address the objectives of the international environmental conventions and their associated protocols, including the conventions on climate change, ozone, and biodiversity. It provides this assistance in its role as implementing agency for the financing mechanisms of these conventions, including the Global Environment Facility and the Multilateral Fund for the Montreal

Protocol. In moving the Environment Strategy into implementation, we remain fully committed to these obligations. Similarly, through our continued work under the Prototype Carbon Fund and other ongoing programs, we will be able to help client countries prepare for their effective participation in the Climate Change Convention, and in proposed carbon markets through instruments such as the Kyoto Protocol's Clean Development Mechanism and Joint Implementation Initiative.

Recognizing the potential synergy between local, regional, and global environmental management, we will seek ways to improve the quality of the regional and global commons, principally through interventions that simultaneously bring local benefits to developing countries. Our experience has shown that interventions with global environmental objectives can only be effective if such programs take into account the development needs, local priorities, and constraints of countries and communities. Going beyond the complementarity between national and global benefits will require compensation from the global community and its financing mechanisms, GEF and MFMP. (Pages 38-39)

UNDP

(Source: Integrating GEF-Related Global Environmental Objectives into UNDP Managed Programmes and Operations: An Action Plan. GEF/C.13/4. March 1999)

The GEF Assembly meeting in April 1998 requested the Implementing Agencies to “promote measures to achieve global environmental benefits within the context of their regular programs and consistent with the global environmental conventions while respecting the authority of the governing bodies of the Implementing Agencies.” This paper responds to the Assembly statement and the request of the GEF Executive Council at its October 1998 meeting, for UNDP to prepare a strategic Action Plan integrating global environmental activities into its regular operations. “Mainstreaming” in this context refers to efforts to ensure that GEF-related global environmental concerns are an integral part of the design, implementation, monitoring and evaluation of UNDP policies, programs and operations.

UNDP's mission is to help countries in their efforts to achieve sustainable human development by assisting them to build their capacity to design and carry out development programmes in poverty eradication, employment creation and sustainable livelihoods, the empowerment of women and the protection and regeneration of the environment, giving first priority to poverty eradication. UNDP's focus is on country-driven activities primarily with domestic benefit. The focus of the GEF, on the other hand, is on country-driven activities primarily with global benefit. These are not mutually exclusive interventions, but they do create both challenges and opportunities for mainstreaming.

UNDP's Executive Board at its January 1998 meeting, agreed that sustainable energy, forest management, water resources, and food security/sustainable agriculture – which correspond closely to the GEF-related global environmental objectives – should be key areas of focus for UNDP's programming in the future. In addition at its first regular

session in January 1999, UNDP's Executive Board reiterated its strong support for efforts to integrate environmental management into UNDP activities. As part of these ongoing efforts UNDP is committed to a cross-cutting agency-wide initiative to integrate environmental management objectives throughout its programs. Specifically in response to the Executive Board's request, UNDP is currently establishing an environmental action plan with clear objectives, responsibilities and monitoring support. The objective of these corporate-wide efforts are first and foremost to strengthen the agency's ability to respond proactively to client countries' sustainable human development needs. GEF-related global environmental issues are a subset of the full range of global environmental issues defined by other global environment conventions such as the Convention to Combat Desertification. Actions to mainstream global environmental objectives thus comprise part of a broader program of interventions to create new environment-related products within UNDP's portfolio of development services.

As a decentralized agency, decision making over many policy and operational issues with a bearing on mainstreaming within UNDP occurs at the program country level. ... UNDP must be cognizant of and responsive to the perceived and real tradeoffs between environment and development. This is particularly the case with global environmental management programs, which produce benefits that are often non excludable in supply, diffuse and long-term and which may not be a priority of program countries' development agenda. The challenge to mainstreaming is twofold: 1] to find a strategic nexus between national development priorities and global environmental management objectives where tradeoffs can be pragmatically addressed; and 2] to capitalize on potential win-win opportunities that can be mutually supported by UNDP, the GEF, and program countries.

Mainstreaming has often been narrowly defined as Implementing Agency co-financing for GEF projects. UNDP places high priority on co-financing and has committed itself to leverage USD 1.5 of UNDP managed resources for every GEF 1 USD allocated by the end of FY 2002. While this is one indicator of mainstreaming, it is not the only gauge, and indeed does not capture the full potential for mainstreaming throughout UNDP operations. UNDP proposes a more comprehensive definition of mainstreaming including the extent to which both indirect and direct UNDP services are mobilized to secure given global environmental objectives. ...offering a broader framework for advancing mainstreaming objectives where there is identifiable synergy between the objectives of global environment conventions (as reflected in the GEF Operational Strategy and Programme mandates), UNDP's corporate Sustainable Human Development (SHD) mission, and national development priorities.

UNDP can contribute towards the protection of global environmental benefits not only through programmatic arrangements, but also in a number of other ways. First, the agency can supply a range of indirect services, *inter alia* aimed at building capacity for sound governance, establishing systems for effective and accountable management of sustainable development, and nurturing sustainable development processes, all of which may have positive externalities for the global environment if carefully designed and targeted. In particular such services create an enabling environment for the successful delivery of global environmental programs. Second, UNDP can also provide a range of services at the individual program/project level. These include securing co-financing for

the GEF Alternative, leveraging new policies and country commitments, brokering public-private partnerships, driving application of best practice principles, building multi-stakeholder consensus, monitoring program delivery and ensuring sound financial management of GEF investments.

This action plan promotes mainstreaming within the broader range of UNDP's services with the objective of enhancing cost effectiveness in operations, and building the foundations for long-term programmatic sustainability, and includes the following strategic commitments:

- a) across the UNDP/GEF portfolio, UNDP will leverage USD 1.5 UNDP managed resources for every GEF 1 USD allocated, by the end of FY 2002;
- b) a proposal will be submitted to the Executive Board, to include additional performance criteria for promoting global environmental convention objectives, for the allocation of 40% of UNDP's resources (TRAC 2 resources) to national programs;
- c) in the seventh programming cycle a 10 country pilot scheme will undertake complementary programming to clearly identify, in national program documents, projects with UNDP managed resources as leveraged co-financing for planned GEF supported interventions;
- d) by the end of year 2004 50% of UNDP's national program documents for the eighth programming cycle will include global environmental objectives;
- e) UNDP will systematically feed the results of completed Biodiversity Strategy and Action Plans, Strategic Action Plans and National Communications into its country programs starting in the year 2000; and
- f) by the end of year 2001 UNDP's project tracking system will be able to identify projects contributing to the global environmental convention objectives along with amounts and sources of financing and co-financing.

Mainstreaming in the context of this plan of action focuses on the future, i.e. its objective is to outline a practical plan of action of what UNDP *will* do, with measurable objectives and timelines. However, ...mainstreaming global environmental objectives is not new to UNDP and a large number of activities aimed at mainstreaming have already been undertaken. (*Pages 1-3*)

ACTION PLAN TO MAINSTREAM GLOBAL ENVIRONMENTAL ISSUES WITHIN UNDP'S REGULAR PROGRAMS

UNDP's development services offer a range of existing and emerging opportunities to create synergy and linkages between objectives stated in the global environmental conventions and the priorities of national development. This section lists concrete activities, timeframes, and benchmarks for their implementation. The activities listed here comprise only a subset of a broader action plan being prepared in collaboration with SIDA. Mainstreaming global environmental issues will ultimately require more than selected corporate actions and initiatives. Fundamental changes are required in the way

UNDP does business. Capacities must be enhanced, including relevant skills and knowledge, for strategic management and the creation of an enabling policy and institutional environment complete with effective networks and linkages. Since refocusing and remodeling a highly decentralized organization such as UNDP requires a long-term perspective, the activities described should be seen as part of a rolling program of at least 5 years. UNDP will regularly review progress made with the action plan, and identify and revise areas that need strengthening.

The action plan includes and builds on further UNDP/GEF efforts to raise awareness of the complementarity between global environmental and development issues; to provide training to UNDP staff regarding access to the GEF; and to assist GEF streamline and simplify its project cycle and eligibility criteria for better integration with UNDP's operations.

The action plan is expected to have the following outputs:

- a) global environmental objectives are reflected in UNDP national program documents;
- b) USD 1.5 UNDP managed resources leveraged for every GEF 1 USD allocated;
- c) UNDP Executive Board considers a proposal for including the performance of national programs in promoting global environmental objectives as a criterion for the allocation of performance related TRAC resources;
- d) UNDP's role in advocating global environmental convention objectives is strengthened;
- e) greater access to global environmental expertise is facilitated;
- f) heightened awareness among UNDP staff of the links between global environmental and development objectives; and
- g) the capability to track the impact of UNDP's activities in promoting global conventions is improved. (*Pages 7-8*)

UNEP

(Source: Action Plan on UNEP-GEF Complementarity. UNEP/GC.20/44, 1999)

INTRODUCTION

UNEP is committed to realizing fully its mandate in GEF, as contained in the Instrument, and to continue strengthening its partnerships with the GEF secretariat and the other implementing agencies, based on its demonstrated comparative advantage. The objectives of this action plan are to ensure the effectiveness of UNEP as a GEF implementing agency, as well as to strengthen programmatic linkages with the revised UNEP program of work...It also responds to the United Nations General Assembly resolution 53/187 of 15 December 1998, by which the Assembly welcomed the collaboration between UNEP and GEF on freshwater resources, as the global

international water assessment, and activities aimed at combating land degradation as they relate to the focal areas of the Facility. (Page 4; paragraph 2.)

COMPLEMENTARITY BETWEEN THE ACTIVITIES UNDERTAKEN BY UNEP UNDER GEF AND ITS PROGRAM OF WORK

There are three elements to achieving complementarity between UNEP's role in GEF and its regular program of work: additionality, synergy and integration.

...The action plan proposes that UNEP's GEF activities will be additional to the outputs of the program of work. However, these activities will be consistent with the mandate and overall program objectives established by the UNEP Governing Council.

The following indicators are proposed for defining additionality in the context of UNEP:

- a) In agreement with GEF, the additional GEF funds could be applied for scaling up and replicating UNEP activities, demonstrating and applying methodologies and tools developed by UNEP, or adding complementary components to UNEP activities to achieve additional global environmental benefits;
- b) UNEP's GEF activities will be additional in the sense that they will respond directly and specifically to the operational programs of GEF, and fill possible operational gaps in understanding and methodologies identified by the STAP, the GEF secretariat and the other implementing agencies;
- c) Issues on which the conferences of the parties to the CBD and UNFCCC have provided guidance to GEF as the financial mechanism for incremental-cost financing will be considered additional to the UNEP program of work under the Environment Fund.

Synergy in the context of UNEP's GEF activities means that GEF activities should build upon the UNEP programs, and they should collectively add value to the global environment and to efforts to assist GEF-recipient countries. This in turn means that UNEP will seek to implement GEF activities in areas where the UNEP regular programs, and/or those of its project partners, are active in the sector and region...The achievement of such synergy could be measured by the extent to which:

- a) UNEP's regular programs serve as an effective pathway for the dissemination of information on results, best practices, lessons, and experiences gained through GEF operational activities, and vice versa, in order to stimulate replication as called for in the GEF operational programs...
- b) Institutions with whom UNEP has long-standing and extensive cooperation are encouraged to contribute to GEF activities...
- c) GEF provides the opportunity for achieving synergy between UNEP's regular programs and activities implemented by the other GEF implementing agencies...

Integrating GEF activities within UNEP means that the objectives of the GEF should be

an integral part of internal decision-making on UNEP's institutional priorities and programs. The indicators for assessing the effectiveness of integration are as follows:

- a) Internal management and coordination mechanisms have been established in such a way that decision-making concerning the GEF takes place at the highest levels in UNEP. GEF issues will be regular agenda items in meetings of UNEP's governing bodies and senior management. UNEP's programming and budgeting processes will reflect UNEP's strategic objectives for the additional GEF resources;
- b) UNEP regular staff will need to have enhanced information, tools, management guidance and incentives to undertake additional GEF activities...
- c) Demonstration of associated financing or co-financing of UNEP/GEF activities from the Environment Fund or other sources, where appropriate. However, as noted by OPS1, there is need to recognize that UNEP, unlike the World Bank and UNDP, is not a funding agency, but a catalyst for action on the global environment.

(Pages 15-18; paragraphs 9.-14.)

UNEP'S STRATEGIC OBJECTIVES IN GEF

Based on UNEP's program of work, its role as defined in the GEF Instrument, and the need to ensure complementarity between the two, UNEP has proposed the following five strategic objectives for its GEF work program:

- a) Contributing to the ability of GEF and countries to make informed strategic and operational decisions on scientific and technical issues in the GEF focal areas;
- b) Relating national regional environmental priorities to the global environmental objectives of the GEF;
- c) Promoting regional and multi-country cooperation to achieve global environmental benefits;
- d) Catalyzing responses to environmental emergencies in the GEF focal areas through short term measures, in accordance with the Operational Strategy; and
- e) Supporting STAP, as the interface between the GEF and the scientific and technical community at the global, regional and national levels.

UNEP's GEF activities to achieve these objectives can be categorized in two distinct, but interrelated, groupings of strategic and project activities. *(Page 21; paragraphs 15.-16.)*

MEASURES TO ACHIEVE COMPLEMENTARITY

The specific measures to achieve complementarity will require a combination of initiatives with partners as well as internal actions.

To achieve complementarity between its GEF activities and its core program, UNEP will strengthen its collaboration with the GEF secretariat, the other implementing agencies, STAP and other traditional partners. *(Page 29; paragraphs 23.-24.)*

TIMEFRAME FOR IMPLEMENTATION

The implementation of this action plan will be phased in order for it to be carefully synchronized with the development of UNEP staff resources and technical capacity, growth scenarios in the GEF corporate business plan, and elaboration of needs and institutional modalities with GEF. Taking these factors into account, the implementation of the action plan may be divided into three, somewhat overlapping, stages:

- a) Phase I (through 1999): During this period, implementation measures for the action plan will be finalized...
- b) Phase II (late 1999): UNEP will begin initial implementation of measures identified in the action plan, in consultation with its GEF partners, including the GEF secretariat, the other implementing agencies and STAP;
- c) Phase III (early 2000): With the initiation of the UNEP program of work for the biennium 2000-2001, and finalization of implementation details with the GEF, the action plan should be fully operational.

The proposed action plan is a working document, which will be reviewed periodically by UNEP's management and revised as experience is gained. The implementation of the action plan is closely linked to the Executive Director's reform efforts, particularly with respect to strengthening UNEP's core capacities, focusing and prioritizing UNEP's activities, and mobilizing adequate resources for the program of work.

It is expected that the implementation of the action plan will lead to a qualitative and quantitative enhancement of UNEP's GEF work program over the period 2000-2001. Accordingly, the UNEP/GEF administrative budget should be commensurate with UNEP's new enhanced level of activities as an implementing agency of GEF. *(Pages 40-41; paragraphs 44.-46.)*

