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MEASURES TO ENHANCE THE SUSTAINABILITY OF GEF PROJECTS AND PROGRAMS

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INTRODUCTION

1. The participants to the seventh replenishment of the GEF (GEF-7), in their policy recommendations, requested that “the Secretariat, in consultation with Agencies, present for Council consideration concrete measures to be undertaken in the design, monitoring, and evaluation of projects and programs that would allow for increased sustainability, including financial sustainability, of the activities funded by the GEF”¹. The GEF-7 policy recommendations were endorsed by the Council at its 54th meeting in June 2018².
2. The participants’ recommendation was in response to a finding by the Independent Evaluation Office (IEO), in its *Sixth Comprehensive Evaluation of the GEF (OPS6)*³, that only 63% of GEF projects were rated likely or moderately likely for sustainability⁴.
3. This paper explores the latest IEO evaluations of the sustainability of GEF projects and programs, associated limitations and areas for further analysis, as well as challenges and opportunities to enhancing sustainability going forward. In addition to relevant evaluations, the paper draws in part on a conversation on sustainability that took place at an inter-Agency retreat in April 2018.
4. Annex I presents IEO’s definition of sustainability, and the rating scale used to assess GEF projects for sustainability.

IEO EVALUATIONS OF THE SUSTAINABILITY OF GEF PROJECTS AND PROGRAMS

5. This section presents an overview of the latest IEO evaluations that discuss the sustainability of GEF projects and programs, namely OPS6 and the *Annual Performance Report 2017*⁵.

¹ GEF/C.54/19/Rev.03, *Summary of the Negotiations of the Seventh Replenishment of the GEF Trust Fund* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.19.Rev_.03_Replenishment.pdf)

² *Joint Summary of the Chairs, 54th GEF Council Meeting, June 24–26, 2018* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54_Joint_Summary_of_the_Chairs_0.pdf)

³ (http://www.gefio.org/sites/default/files/ieo/evaluations/files/ops6-report_1.pdf)

⁴ *Co-Chairs’ Summary, Second Meeting for the Seventh Replenishment of the GEF Trust Fund, October 4–5, 2017* (<http://www.thegef.org/sites/default/files/council-meeting-documents/GEF-7%20Co-Chair%20Summary%20of%20the%202nd%20meeting%20-%20Oct%202017-%20Addis%20Ababa%20FINAL%20....pdf>)

⁵ GEF/ME/C.54/Inf.02 (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GE.ME_C.54.Inf_02_Annual_Performance_Report_2017_0.pdf)

Sixth Comprehensive Evaluation of the GEF (OPS6)

6. IEO concludes in OPS6 that “[t]he GEF has a strong track record in delivering overall good project performance, being catalytic, and driving transformational change”. The report also concludes, however, that “[s]ustainability of outcomes is the greatest challenge in GEF projects, and only 63 percent of the OPS6 project cohort was rated as having outcomes that were likely to be sustained—this was primarily a reflection of weak financial sustainability”.⁶

7. OPS6 found that sustainability varies considerably between regions and groups of countries: in Asia, Latin America and the Caribbean, as well as Europe and Central Asia, more than 60% of completed projects were rated in the likely range⁷ for sustainability, compared with less than 50% in Africa. In the five countries with the largest GEF portfolios⁸, 85% of projects were rated in the likely range for sustainability, compared to 44% in least developed countries (LDC).⁹

8. Notwithstanding the prominent conclusion, it should be noted that OPS6 does not recommend specific measures to enhance sustainability.

Annual Performance Report 2017

9. Following OPS6 and the GEF-7 policy recommendations, IEO carried out further analysis on sustainability, considering, *inter alia*, the factors that affect the sustainability of project outcomes, and the extent to which IEO’s approach to measuring sustainability is comparable with those of other organizations. The analysis was presented to the Council at its 54th meeting in June 2018 as part of the *Annual Performance Report 2017*¹⁰ (APR).

10. Like OPS6, the APR does not make specific recommendations to increase the sustainability of GEF projects and programs. The report finds that it is not clear how and to what extent project design has influenced sustainability, particularly in more recent replenishment phases. Accordingly, based on the available evidence, there is no clear blueprint for designing projects for sustainability, or reviewing projects for their potential sustainability at the time of approval. Still, the report presents additional detailed analysis that helps put in perspective the findings and conclusions presented in OPS6 and identify possible areas for further attention going forward.¹¹

⁶ (http://www.gefio.org/sites/default/files/ieo/evaluations/files/ops6-report_1.pdf)

⁷ This includes “moderately likely” and “likely”.

⁸ Brazil, China, India, Mexico, and the Russian Federation

⁹ GEF IEO 2018, *Sixth Comprehensive Evaluation of the GEF (OPS6)* (http://www.gefio.org/sites/default/files/ieo/evaluations/files/ops6-report_1.pdf)

¹⁰ GEF/ME/C.54/Inf.02 (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GE.ME_C.54.Inf_02_Annual_Performance_Report_2017_0.pdf)

¹¹ Ibid.

11. First, the APR finds that sustainability ratings have improved, particularly from the Pilot Phase to GEF-1 and then from GEF-3 to GEF-4. For projects approved during the Pilot Phase, 44% were rated in the likely range for sustainability, compared with 59% from GEF-1 to GEF-3, and 69% for GEF-4. At the time of reporting, 77% of 26 completed GEF-5 projects were rated in the likely range for sustainability. The improvement is particularly marked in LDCs and fragile states, as well as in Asia and for global projects.¹²

12. Second, the report finds that IEO's definition of sustainability and its approach to measuring it are consistent with those used by other international organizations, and the GEF's performance on sustainability is broadly in line with others. Specifically, the report finds that the share of GEF projects that are rated in the 'likely' range for sustainability is not substantially different from other multilateral organizations. Five of the seven organizations considered fall in a range between 60% and 66%, with the United Nations Environment Programme (79%) and the African Development Bank (52%) as outliers.¹³

13. Third, post-completion verification confirms that sustainability ratings are correlated with outcome ratings post completion. Of projects rated in the likely range for sustainability, 84% had satisfactory outcome ratings post completion, compared with just 55% of projects rated in the unlikely range.¹⁴

14. Finally, the analysis presented in the APR shows that sustainability is influenced by the country context, the quality of implementation and execution, and the degree to which co-financing commitments are materialized. In addition, country support and ownership are correlated with sustainability.¹⁵ As noted above, while these factors may be influenced through the appropriate stakeholder engagement, monitoring, and management, the report does not make specific recommendations as to how they could be leveraged for greater sustainability across the GEF portfolio.

LIMITATIONS AND AREAS FOR FURTHER ANALYSIS

15. OPS6 and the latest APR provide a useful overview of the available evaluative evidence of the sustainability of GEF projects and programs. They also suggest important limitations and areas for further analysis.

16. The two reports explore the sustainability of GEF projects and programs by replenishment phase, region, and focal area, but not by Agency. Based on the completed

¹² Ibid.

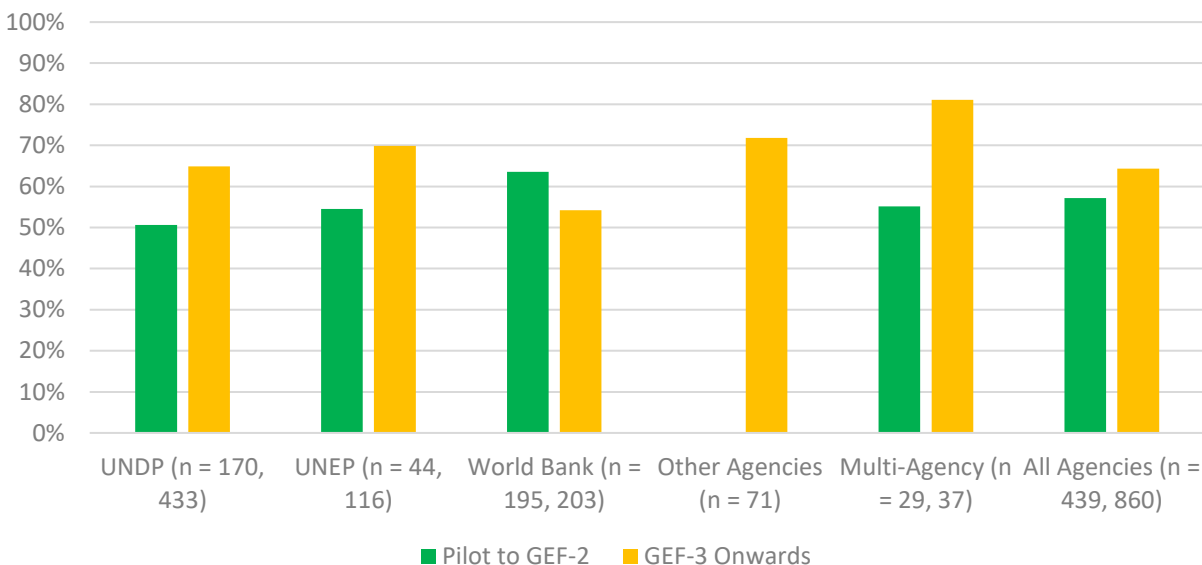
¹³ Ibid. The analysis presented in the APR considered the sustainability-related definitions, approaches, and performance of the African Development Bank, Asian Development Bank, the Inter-American Development Bank, the International Fund for Agricultural Development, the United Nations Environment Programme, and the World Bank.

¹⁴ Ibid.

¹⁵ Ibid.

projects for which sustainability ratings are available, the Secretariat found that the improvements identified in the APR are not uniform across Agencies. Specifically, of projects implemented by UNDP and UNEP, 51% and 55% – respectively – were rated in the likely range for sustainability from the Pilot Phase to GEF-2. From GEF-3 onwards those ratings improved to 65% for UNDP and 70% for UNEP. In contrast, the share of World Bank projects rated in the likely range for sustainability declined from 64% to 54% during that same period. (Figure 1)

Figure 1: Share of Projects with Sustainability Rated in the 'Likely' Range by Agency¹⁶



17. The reasons for these divergent trends are not clear. It would seem important to explore further, however, whether and to what extent the available data is influenced by differences in Agencies' actual performance, or rather differences in how their performance is rated. Indeed, similar shifts can be found in outcome ratings, where the share of World Bank projects rated in the satisfactory range¹⁷ decreased from 78% from the Pilot Phase to GEF-2, to 70% from GEF-3 onwards. Meanwhile the share of UNDP and UNEP projects rated in the satisfactory range increased from 79% to 84%. IEO has previously suggested that the World Bank Independent Evaluation Group appears to have applied more stringent criteria during validations it conducted for the 2009–11 period, resulting in a drop in performance ratings for World Bank projects from the GEF-3 period¹⁸.

¹⁶ Source: IEO TER Database (<http://www.gefio.org/sites/default/files/ieo/documents/files/APR-2017-GEF-IEO-TER-Dataset-Web.xlsx>)

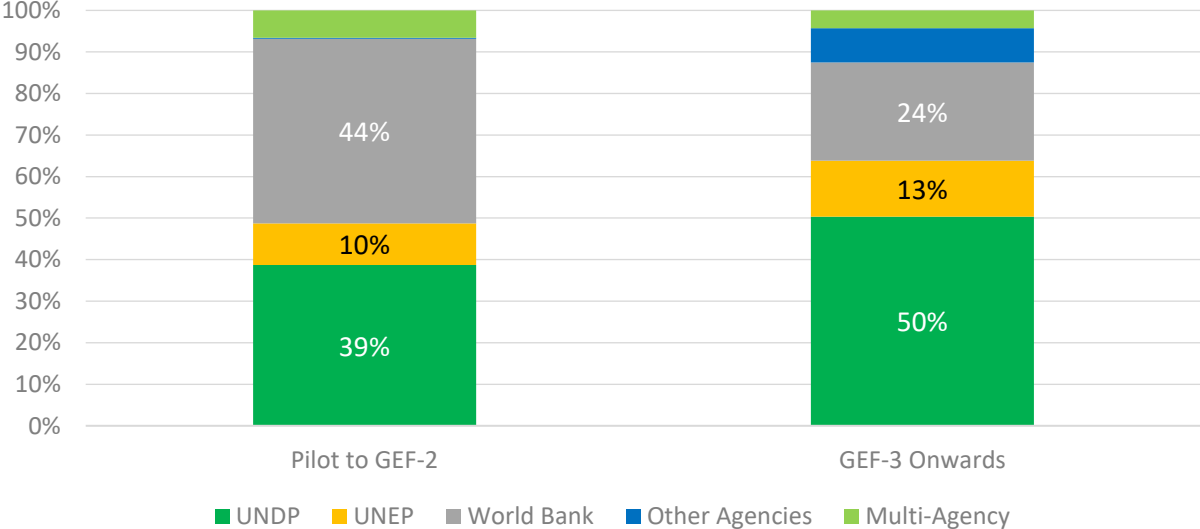
¹⁷ This includes outcome ratings of moderately satisfactory and higher.

¹⁸ GEF IEO 2018, *Sixth Comprehensive Evaluation of the GEF (OPS6)* (http://www.gefio.org/sites/default/files/ieo/evaluations/files/ops6-report_1.pdf)

18. Given the above trends, it also seems relevant that the improvements in sustainability ratings found in the APR coincide with a major shift in terms of the source of ratings. For the projects approved from the Pilot Phase to GEF-2 for which sustainability ratings are available, 79% of the ratings are provided by IEO. From GEF-3 onwards, IEO is the source of just 36% of ratings.¹⁹

19. The degree to which individual Agencies’ ratings affect the GEF portfolio at large is also a function of Agencies’ share of GEF programming. Of all projects rated for sustainability at completion, the World Bank was the implementing Agency for 44% of projects approved from the Pilot Phase to GEF-2. That share declined to 24% for projects approved from GEF-3 onwards. During that same period, UNDP’s and UNEP’s share of the rated projects increased from 49% to 64%. (Figure 2)

Figure 2: Agencies’ Share of Projects Rated for Sustainability at Completion



20. Apart from terminal evaluation, post-completion verification plays an important role in helping to understand whether project outcomes were in fact sustained, and what factors influence sustainability. IEO draws on available post-completion reports in its latest APR, but it should be noted that for 1,372 completed projects only 53 post-completion verification reports were found to contain adequate information to support the analysis on sustainability²⁰. This represents less than 4% of completed projects since inception. It is not clear whether the

¹⁹ Ibid.

²⁰ The analysis was limited to post-completion field verifications prepared at least three years after project completion.

sample is representative of the GEF portfolio at large, nor whether the apparent low frequency of verification can enable a robust analysis and effective monitoring of sustainability.²¹

CHALLENGES AND OPPORTUNITIES TO ENHANCING SUSTAINABILITY

21. Notwithstanding the limitations and areas for further analysis, IEO's work points to a number of challenges as well as opportunities to enhancing sustainability going forward. It should be noted, of course, that the GEF's performance on sustainability is subject to very long feedback loops, and the tangible effects of any steps taken today cannot be assessed in the near term.

22. One challenge to enhancing sustainability has to do with the GEF's growing financial footprint in countries where sustainability has so far been more difficult to attain. Both OPS6 and APR find that a smaller share of projects in LDCs and fragile states are rated in the likely range for sustainability. At the same time, projects in these countries show significant improvements from GEF-3 onwards. As the share of GEF financing towards LDCs is set to grow – consistent with the agreed GEF-7 policy recommendations – a key challenge is to continue to enhance the sustainability of projects in these countries²². In addition, it seems important to continue to monitor the sustainability of GEF projects and programs in a disaggregated manner, by region and groups of countries, to identify the degree to which changes in sustainability reflect changes in performance rather than the changing geography of GEF programming.

23. A similar challenge may arise from thematic changes in GEF programming. OPS6 and APR find that single-focal area climate change projects tend to perform better on sustainability than other projects. It is not clear, however, to what extent this difference can be attributed to the concentration of climate change projects in countries that have typically achieved high levels of sustainability (see Paragraph 7 above). Nevertheless, looking forward the share of single-focal area climate change projects is expected to decrease, while the GEF's contribution towards climate change mitigation will be increasingly derived from integrated, multi-focal area programming, as well as co-benefits generated in other focal areas²³.

24. In some areas recent steps taken to strengthen GEF policies, guidelines and systems are well aligned with the evaluative evidence on sustainability, suggesting opportunities for stronger performance moving forward. The APR finds that “there is a positive and statistically

²¹ GEF/ME/C.54/Inf.02, *Annual Performance Report 2017* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GE.ME_C.54.Inf_02_Annual_Performance_Report_2017_0.pdf)

²² Participants to the seventh replenishment agreed on adjustments to STAR that increase LDCs' share of initial STAR country allocations from 21.4% in GEF-6 to 24.3% in GEF-7. These adjustments were approved by the Council in June 2018 as part of the new STAR Policy (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.03.Rev_01_STAR.pdf).

²³ See e.g. Paragraph 14 in GEF/C.54/11/Rev.02, *Updated Results Architecture for GEF-7* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.11.Rev_02_Results.pdf).

significant relationship between materialized co-financing and sustainability ratings”²⁴. Through the updated *Co-Financing Policy*²⁵ and *Co-Financing Guidelines*²⁶, the GEF is placing a stronger emphasis on the monitoring of and reporting on co-financing throughout the project cycle, based on standardized definitions and reporting templates. Together with the GEF Portal, which will enable a more systematic capture of implementation data, these measures amount to a stronger incentive for partners to ensure that co-financing commitments are materialized.

25. In addition to co-financing, the Secretariat is proposing measures to enhance operational transparency and oversight, particularly through the timely submission of implementation reports. If mid-term reviews are carried out more systematically, and in a more timely manner, Agencies and their executing partners will be better placed to address the risks that could affect the sustainability of projects at completion.²⁷ This opportunity was emphasized by Agencies at the inter-Agency retreat in April 2018.

26. The APR underscores that country support and ownership influence sustainability. In this respect, a number of relevant initiatives are planned and underway to ensure that GEF programming is strongly aligned with countries’ strategic priorities. Through the Country Support Program, as of December 2018 the Secretariat had enabled 21 countries to undertake broad-based national dialogues to set priorities for GEF-7 programming, and 19 more dialogues have been scheduled or are in the process of being scheduled for the first half of 2019. Planning for the GEF-7 Impact Programs (IP) is well underway, with an invitation to countries to submit expressions of interest to participate in relevant IPs. Moreover, at the request of the participants to the GEF-7 replenishment, the Secretariat is preparing guidance to facilitate countries’ selection of Agency²⁸, as well as the roles and responsibilities of the various entities in the GEF Partnership²⁹. Both are expected to contribute towards informing and empowering country stakeholders to exercise more effective ownership of GEF programming.

CONCLUSIONS AND NEXT STEPS

27. In conclusion, the available evaluative evidence provides limited grounding for “concrete measures [...] that would allow for increased sustainability, including financial sustainability, of the activities funded by the GEF”³⁰. As noted above, there may be a need to examine Agencies’ approaches to performance ratings with a view to ensuring a reasonable

²⁴ GEF/ME/C.54/Inf.02, *Annual Performance Report 2017* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GE.ME_C.54.Inf_02_Annual_Performance_Report_2017_0.pdf)

²⁵ FI/PL/01 (http://www.thegef.org/sites/default/files/documents/Cofinancing_Policy.pdf)

²⁶ FI/GN/01 (http://www.thegef.org/sites/default/files/documents/Cofinancing_Guidelines.pdf)

²⁷ See document GEF/C.55/04, *Policy Measures to Enhance Operational Efficiency, Accountability and Transparency*.

²⁸ See document GEF/C.55/Inf.08

²⁹ See document GEF/C.55/Inf.09

³⁰ GEF/C.54/19/Rev.03, *Summary of the Negotiations of the Seventh Replenishment of the GEF Trust Fund* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.19.Rev_03_Replenishment.pdf)

degree of consistency. In addition, there may be a need to carry out more frequent and more systematic post-completion field verification to assess actual performance on sustainability. The Secretariat looks forward to working with Agencies and IEO to explore ways to address these limitations.

28. Notwithstanding the need for further analysis, the Secretariat, in collaboration with countries and Agencies, will build on IEO's findings and conclusions with a view to addressing the challenges and opportunities identified in this paper. These include the implementation of the new policy and guidelines on co-financing with a view to achieving a higher materialization of co-financing commitments, stronger incentives for timely reporting and adaptive management, as well as the effective implementation of the GEF-7 country support program. The Secretariat will continue to report to the Council regularly on these processes in line with existing work plans and policy requirements.

ANNEX I: SUSTAINABILITY RATINGS

IEO defines sustainability as “the likelihood of continuation of project benefits after completion of project implementation”.

In accordance with IEO’s *Guidelines for GEF Agencies in Conducting Terminal Evaluation for Full-sized Projects*³¹, sustainability is assessed taking into account the risks related to financial, sociopolitical, institutional, and environmental sustainability of project outcomes, using a four-point scale:

Likely (L): There is little or no risks to sustainability.

Moderately Likely (ML): There are moderate risks to sustainability.

Moderately Unlikely (MU): There are significant risks to sustainability.

Unlikely (U): There are severe risks to sustainability.

³¹ (<http://www.gefio.org/sites/default/files/ieo/evaluations/files/gef-guidelines-te-fsp-2017.pdf>)