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GEF Council  
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Agenda Item 8

## ANNUAL PERFORMANCE REPORT 2010 (CONCLUSIONS AND RECOMMENDATIONS)

**(Prepared by the GEF Evaluation Office)**

**Recommended Council Decision**

The Council, having reviewed document GEF/ME/C.40/04, "*Annual Performance Report 2010 (Conclusions and Recommendations)*" as well as GEF/ME/C.40/05, "*Management Response to the Annual Performance Report 2010,*" requests the GEF Evaluation Office to strengthen its collaboration with the independent evaluation offices of the GEF Agencies on the review of terminal evaluations to ensure a more streamlined process which will lead to reduction of delays in submission of terminal evaluations and improve the information concerning project status.

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## EXECUTIVE SUMMARY

1. This document is the seventh annual performance report (APR) that the Global Environment Facility (GEF) Evaluation Office has presented. The report presents a detailed account of some aspects of project results, of processes that may affect these results, and of monitoring and evaluation (M&E) arrangements in completed GEF projects. This APR also focuses on 48 completed projects for which terminal evaluations were submitted during the FY2010.

2. The APR primarily involves review of the evidence presented in the terminal evaluation reports, with verification of performance ratings based primarily on desk reviews. The evaluation offices of several agencies have been conducting similar reviews for the past couple of years and their ratings have been accepted for 21 projects.

3. The APR 2010 contains the following conclusions:

- a. Outcome achievements of 92 percent of completed projects reviewed for FY2010 were rated in the satisfactory range. This is similar to the FY 2009 figure of 91 percent, but higher than the long term average of 84 percent. Given that the number of TE reports reviewed varies from year to year, the jump in outcome achievements over the past two years should not be interpreted as a trend.
- b. Materialization of cofinancing reported by the GEF Agencies, on average is higher than that expected at project approval representing an improvement over past years.
- c. Quality of Monitoring & Evaluation (M&E) arrangements is fluctuating with an average of 68 percent of projects rated moderately satisfactory or above since 2006.
- d. The quality of 86 percent of the terminal evaluations submitted during FY2010 was rated moderately satisfactory or above. This represents a drop from the FY 2009 and FY 2008 levels of 96 percent and 92 percent respectively, largely due to the relatively high number of World Bank Medium Sized Projects (MSPs) in this year's sample.
- e. No improvement can be reported on the long terms lags between Terminal Evaluation Report completion and submission to the GEF Evaluation Office.

4. Based on the analysis presented in the APR the following recommendation is made: *The GEF Evaluation Office and the independent evaluation offices of GEF Agencies should strengthen their collaboration on the review of terminal evaluations to ensure a more streamlined process which will lead to reduction of delays in submission of terminal evaluations and improve the information concerning project status.*

5. The GEF Evaluation Office will assess the reporting systems of new Agencies that enter the GEF partnership and closely support their terminal evaluation review process.

6. The Office will seek ways to improve the use of data on completed projects to find innovative, new and potentially interesting correlations and perspectives.

## BACKGROUND

7. This document is the seventh annual performance report (APR) that the Evaluation Office presents. It includes a detailed account of some aspects of project results, of processes that may affect these results, and of monitoring and evaluation (M&E) arrangements in completed GEF projects. For the fourth time, a performance matrix, which summarizes the performance of the GEF Agencies and the GEF Secretariat on various parameters tracked by the Office, is presented.

8. The full version of the Annual Performance Report 2010, including the detailed data, reviews, analysis and methodological justification, will be made available to the Council as an information document, and published on the website of the Office at the same time as this Council working document. The Management Actions Records will be published separately on the Evaluation Office website: <http://www.gefio.org>.

9. The APR 2010 continues the annual presentation of assessment of project outcomes, project sustainability, project completion delays, materialization of cofinancing, and quality of monitoring in completed projects.

10. In August 2010, 57 terminal evaluations were received by the Evaluation Office; however nine projects were removed from the FY10 cohort because they were not accompanied by a TER from the Agency. These will be considered in the FY11 cohort.

11. Thus, so far terminal evaluations for 388 projects, which represent US \$ 1,763 million in GEF funding, have been submitted to the GEF Evaluation Office. These include terminal evaluations for 48 projects submitted to the Office in FY2010 and that account for US \$177 million in GEF funding.

12. For the **assessment of project outcomes, project sustainability, and delays in project completion**, 313 projects, for which terminal evaluation reports were submitted by the GEF Agencies to the Evaluation Office since FY 2005, have been considered.

13. For reporting on **materialization of cofinancing** 313 projects for which terminal evaluation reports have been submitted since FY 2005 were considered. Of these, information on materialization of cofinancing has been reported for 257 projects (83 percent). The GEF has invested a total of US \$ 1,063 million in these 257 projects; the implementing agencies reported that a cofinancing of US \$ 2,463 million materialized during implementation. The GEF EO has reported actual cofinancing amounts for 44 projects of the FY 2010 cohort, representing a total cofinancing amount of \$406 million (based on TE and Agency reports).

14. This year's **management action record (MAR)** tracks the level of adoption of 35 Council decisions based on 16 evaluation reports. The Evaluation Office was able to verify 35 of these decisions. Nine (9) of these decisions that achieved 'high' adoption ratings and 16 are no longer relevant and, therefore, will not be tracked in the next MAR.

15. The **performance matrix** provides a summary of the performance of the GEF Agencies and the GEF Secretariat on relevant parameters. The matrix is limited to the three implementing agencies and the Secretariat because the completed projects from the other GEF agencies are still not significant. Most of the parameters included in the matrix are assessed on an annual basis by the Evaluation Office whereas others are tracked after two to three years. This year, ratings have been presented on six parameters.

16. The APR primarily involves review of the evidence presented in the terminal evaluation reports, with verification of performance ratings based primarily on desk reviews. The evaluation offices of several agencies have been conducting similar reviews for past couple of years. Since FY 2007 the UNEP's Evaluation Office has been providing performance ratings for all the completed GEF projects. Similarly, The World Bank's Independent Evaluation Group (IEG) conducts desk reviews of all the terminal evaluation reports produced by the management for the full size projects and conducts more intensive field verifications for a sample of these projects. In FY2009, for the first time, UNDP's evaluation office began to review terminal evaluation and did so again for FY2010.

17. The GEF Evaluation Office has tracked the ratings provided by the evaluation offices of the agencies and has found that these match well with its ratings. This is in contrast to the comparisons with ratings provided in the terminal evaluations which, when compared to the ratings provided by the GEF Evaluation Office, tend to be more optimistic.

18. To reduce duplication of effort, the GEF Evaluation Office started accepted the ratings provided by the evaluation offices of UNEP and the World Bank. In FY2009, for the first time, the UNDP also began desk review of terminal evaluations. Consistency between GEFEO ratings and Agency ratings has been established and therefore, in keeping with this methodology, ratings from the three agencies were accepted for 21 projects. To ensure compatibility, the Office will continue to review a sample of terminal evaluations from all Agencies.

19. In the past, the GEF Evaluation Office has received terminal evaluation reviews from Agencies in batches. This year for the first time this turned out to be a problem for UNDP evaluation office due to workload. The GEF Evaluation Office expected 26 UNDP terminal evaluations and reviews but received 17. The delays were discussed with UNDP bilaterally as well as at the inter-agency meeting on preliminary findings of the APR2010 in April 2011 with an agreement to proceed with receipt of terminal evaluation reviews on a rolling basis from Agencies rather than in batches.

## **FINDINGS AND CONCLUSIONS**

<b>Conclusion 1: Outcome achievements of 92 percent of completed projects reviewed for FY2010 were rated in the satisfactory range.</b>
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20. **Attainment of project outcomes.** The Evaluation Office rated the achievement of project outcomes on criteria of relevance, effectiveness, and efficiency. The key findings of this assessment are as follows:

- Of the 48 projects of the FY2010 cohort, 44, or 92 percent, were rated moderately satisfactory or above (table 1.1). This is similar to the FY 2009 figure of 91% and the highest percentage to date.
- The long term average of projects with moderately satisfactory or above in outcome rating is 84 percent. The factors contributing to the higher than average rating of outcomes over the past two years are not clear. Given that the number and type of TE reports submitted varies from year to year, the jump in outcome achievements over the past two years should not be interpreted as a trend.
- Of the total \$177 million GEF investment in the rated projects of FY2010 cohort, 89 percent, or \$157 million, was allocated to projects that were rated moderately satisfactory or above.
- Considering the FY 2005 to FY 2010 cohorts, so far 308 projects have been rated on outcome achievements. Of these, outcome achievements of 84 percent have been rated moderately satisfactory or above. Of the total GEF investment in rated projects, 83 percent is in projects that were rated moderately satisfactory or above.

21. Within the FY 2010 cohort alone, all the UNEP and UNDP implemented projects received outcome ratings of moderately satisfactory or above. Of the World Bank implemented projects 82 percent were rated moderately satisfactory or above. For this first time in this APR, GEFEO has further disaggregated this information of projects by ratings in the satisfactory range for each agency (see table 3.1 in the full report).

22. Within the ranges of satisfaction, in UNEP's portfolio of 9 projects 56 percent were rated moderately satisfactory and 44 percent satisfactory. Of the 17 UNDP implemented projects, 41 percent were rated moderately satisfactory, 41 percent satisfactory and 18 percent highly satisfactory. Within the World Bank implemented projects, 55 percent were rated moderately satisfactory and 27 percent satisfactory. Due to the blend of MSPs and FSPs in the mix of projects and the small size of each Agency's portfolio, this performance does not indicate a trend.

23. **Sustainability of project outcomes.** This is rated based on the level of risks to sustainability of outcomes on four dimensions: financial, sociopolitical, institutional and governance, and environmental. All of the 48 projects from the FY 2010 cohort were rated on overall sustainability of outcomes<sup>1</sup>. The key findings of this assessment are:

- 63 percent (30 projects) were rated moderately likely or above for overall sustainability of outcomes (Table 1.1).
- For the FY2010 cohort, of the four risks to sustainability dimensions, financial risks and environmental risks were more frequently found to pose a threat to outcome sustainability. Out of the 43 projects rated for financial sustainability, 7 (17 percent) were rated as moderately unsatisfactory or below, and out of the 34 projects rated for

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<sup>1</sup> Twelve projects had no overall sustainability rating in the Agency TER. The overall rating was applied by GEFEO using the Office's TE review guidelines

environmental sustainability, 8 (24 percent) were rated as moderately unsatisfactory or below.

- Out of the total GEF investment in FY2010, 73 percent (US \$130 million out of a total US\$ 177 million) went to 30 projects rated moderately likely or above in terms of the sustainability of their outcomes. This is a considerable increase from the FY2009 level of 64 percent and the 5-year average (2005-2009) of 60 percent.

**Table 1.1: Outcomes and Sustainability of Outcomes**

<i>Fiscal Year</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>
Number of TE submitted	41	66	41	62	55	48
Number of projects with outcomes rating	39	64	40	62	55	48
Percentage rated MS or above in outcomes rating	82%	84%	73%	81%	91%	92%
Number of projects with sustainability of outcomes rating	39	54	39	60	51	48
Percentage rated ML or above in sustainability of outcomes rating	49%	65%	59%	57%	71%	63%
Number of projects rated both on outcomes and sustainability of outcomes	39	54	39	60	51	48
Percentage of rated projects with MS/ML or above in both	44%	61%	51%	55%	67%	63%

24. The Evaluation Office assessed the extent to which projects that were rated moderately satisfactory or above in achievement of outcomes were also rated moderately likely or above in sustainability of outcomes. It found:

- Of the 48 rated projects, 63 percent were rated **both** moderately satisfactory or above in outcomes and moderately likely or above in sustainability.
- In terms of GEF investment, 73 percent was invested in projects that were rated **both** moderately satisfactory or above in outcomes and moderately likely or above in sustainability.

**Conclusion 2: Materialization of cofinancing reported by the GEF Agencies, on average, is higher than that expected at project approval.**

25. As stated in last year’s APR, the Council has shown continued preference for a higher overall cofinancing ratio for GEF project portfolio. The Secretariat publications also portray cofinancing as an indicator of the effectiveness of GEF in mobilizing additional resources for generation of global environmental benefits. A few documents clearly state that the high cofinancing ratio achieved is an indicator of GEF’s “multiplier” effect in generating additional resources for generation of global environmental benefits.

26. For the FY2010 cohort, the overall ratio of promised cofinancing to the GEF grant amount at approval was 2.0. The overall ratio of actual, or materialized, cofinancing to the GEF grant amount at approval was higher at 2.7. The overall percentage of actual cofinancing to promised cofinancing is 134 percent, indicating that actual cofinancing was 34 percent higher than expected. This percentage



was slightly higher than the FY2009 level of 132 percent and significantly higher than the 98 percent calculated for the period FY 2005 to FY 2008.

27. A detailed discussion on cofinancing was presented in the Annual Performance Report 2009 and will be taken up again in future Annual Performance Reports.

**PROJECT COMPLETION DELAYS**

28. The Evaluation Office began tracking project completion delays (expected completion date and actual completion date) in FY 2005. Of the 281 projects for which this data is available, 27 percent were completed after a delay of at least two years and 7 percent after a delay of three years or more. Of the projects in the FY 2010 cohort, 32 percent were completed after a delay of one to two years, 11 percent after a delay of two to three years, and 3 percent after a delay of more than three years. In comparison to the long term distribution, the majority of projects of the FY2010 cohort tended to experience shorter delays in completion.

**PROJECT MONITORING AND EVALUATION**

**Conclusion 3: Quality of M&E arrangements is fluctuating with an average of 68% of projects being rated moderately satisfactory or above since 2006.**

29. In the FY 2010 cohort, 70 percent of projects were rated moderately satisfactory or above for quality of monitoring during implementation. M&E ratings in the satisfactory range have fluctuated between the sixties and the seventies in percentage terms with 72 percent in FY 2008, 61 percent in FY 2007, 78 percent in FY 2006 and 66 percent in 2005 rated so (see Table 1.2 in the full report). The 2010 percentage represents an improvement over the 2009 level of 62 percent but a decrease from 72 percent in FY 2008. The fluctuation is present in previous years ratings as well. One reason for the discontinuous performance is that most of the projects in previous cohorts were designed before the adoption of the GEF M&E Policy (2006). As current and future cohorts increasingly include projects designed following the 2006 policy change, we would expect to see continuous improvement in ratings along this dimension. The GEF Council approved a revised M&E Policy in November 2010.

**Table 1.2 Quality of monitoring during project implementation**

Fiscal Year of TE submission	2004	2005	2006	2007	2008	2009	2010
Terminal evaluation reports submitted	42	41	66	41	62	55	48
Projects rated on M&E	29	32	46	33	50	39	44
Percentage of projects rated moderately satisfactory or above	55%	66%	78%	61%	72%	62%	70%

30. Quality of M&E at entry has also improved in relation to the FY 2009 cohort, from 69 percent to 73 percent. For M&E during implementation, however, 71 percent (22 out of 31 projects), of projects were in the satisfactory, a small decline from the 79 percent in the FY 2009 cohort.

31. Consistent with previous years, there is a strong correlation between quality of M&E arrangements at entry and actual quality of monitoring during implementation Of the completed

projects from the FY2010 cohort that were rated both on quality of monitoring during implementation and quality of M&E at entry, only 18 percent of those rated in the unsatisfactory range at entry were rated in the satisfactory range during implementation. In contrast, of those rated in the satisfactory range at entry, 79 percent were also rated in the satisfactory range during implementation.

**Conclusion 4: The quality of 86 percent of the terminal evaluations submitted during FY2010 was rated moderately satisfactory or above.**

32. Since 2004, when the Evaluation Office first started rating the quality of terminal evaluation reports, 355 terminal evaluations have been submitted and 351 rated. Of these, the quality of 87 percent of reports has been rated moderately satisfactory or above. Fifty five (55) percent of the reports achieved a higher rating of satisfactory or above. The figures for FY 2010 cohort are 86 percent and 55 percent respectively. This represents a decline from last year's cohort, in which 96 percent of the terminal evaluation reports were rated moderately satisfactory and 72 percent were rated satisfactory or above.

33. The primary reason for the drop this year is that World Bank Medium Sized Projects (MSPs) accounted for over a quarter of all projects in the FY2010 cohort. As the World Bank does not prepare independent terminal evaluation reports for MSPs, the quality ratings for the terminal evaluation documents provided for these projects tend to be low. In FY2009, terminal evaluation reports from World Bank MSPs accounted for less than 4 percent of the sample.

**Conclusion 5: No improvement can be reported on the time lags between Project Closure, Terminal Evaluation completion and submission to the GEF Evaluation office.**

34. The GEF Agencies are required to submit terminal evaluation reports within 12 months of project completion. As specified in the terminal evaluation guidelines, the GEFEO allows for an additional two months after the terminal evaluation report is complete to submit reports to the GEF Evaluation Office.

35. The Evaluation Office began collecting data on the time lags between project closure and terminal evaluation report in FY 2008. In APR 2009, the Office concluded that long time lags between the completions and submission of terminal evaluation reports continued to be a concern, as did uncertainty regarding project status. For the FY2010 cohort, data was available on the time lags between project closure and terminal evaluation report submission for 41 projects (excluding resubmitted projects). For the FY 2010 cohort, 5 percent of terminal evaluation reports were submitted within 12 months of closure. The majority of reports, 56 percent were submitted within one to two years following project closure. In the FY 2009 and FY 2008 cohorts, 47 percent of reports were submitted within 12 months of project closure.

36. For the FY 2010 cohort, for the majority, 57 percent, the time lag between report completion and submission was more than one year. In comparison with previous years, particularly FY 2009, this represents a decline.

37. Accurate data on the status of project completion is difficult to arrive at and influences the data comparing time lags in terminal evaluation completion and submission. Despite

significant improvements in quality of PMIS, the quality of information on project completion status remains weak. Status of projects is not updated in a regular and systematic manner. As a result, it is difficult to determine whether a project has been completed. Resolution of this concern requires collaborative efforts from the Secretariat, Agencies and the Evaluation Office.

38. Council decided in June 2010 that the GEF Evaluation Office, the Secretariat and the Agencies should work together in identifying and implementing measures to improve the quality of information available through PMIS on the status of projects through the project cycle, including agency compliance with deadlines for terminal evaluations. The Evaluation Office was requested to report on the progress made in the Annual Performance Report 2010. On this matter, the GEF Trustee is completing an independent review of GEF systems to be submitted to Council in November 2011. Based on the findings of the review, the Secretariat, in consultation with the Trustee, Evaluation Office and the Agencies will chart a way forward to upgrade the PMIS.

#### **MANAGEMENT ACTION RECORD**

39. The Management Action Records (MAR) keep track of the level of adoption of Council's decisions on the basis of evaluation findings and recommendations. This year's MAR tracks the level of adoption of 35 Council decisions, which were based on 16 GEF Evaluation Office documents, by presenting ratings from GEF management and verification of these ratings by the Evaluation Office. The Evaluation Office was able to verify progress on adoption of these 35 decisions.

40. Of the 35 Council Decisions for which adoption was rated, for nine (16 percent) it was rated as 'high'. Three of these decisions pertain to the '*Joint Evaluation of the Small Grants Programme*' and are related to the Council's request to the GEF to propose a level of management costs, processes for management systems and strengthening monitoring and evaluation.. GEF has also adopted the Council decision based on '*GEF Annual Report on Impact 2007*' requesting the GEF Secretariat to put in place mechanics along the project cycle to ensure adequate monitoring of progress towards institutional continuity. Similarly GEF action on the decision concerning '*GEF Annual Report on Impact 2009*, that GEF-5 proposals should include further investment and capacity development to assist countries with economies in transition to address the remaining threats to the ozone layer has been rated "high".

41. Exploration within the GEF partnership modalities to review the significant gap of available resources for combating land degradation to support key challenges is addressed in the new System for Transparent Allocation of Resources (STAR) and the associated decision was also rated as 'high'.

42. Of the 35 Council Decisions for which the level of adoption was rated, 46 percent were rated to be 'no longer relevant', eight percent as "substantial" and 11 percent as 'medium'. For two decisions (6 percent) the level of adoption was rated to be negligible. The adoption of the Council decision based on the '*Country Portfolio Evaluation Report (2009)*' that the GEF conduct a survey to assess "exceptional situations concerning limited access to GEF partner International Financial Institutions" was rated as negligible because GEF has not yet conducted this survey. The adoption of the Council decision based on the *Annual Country Portfolio Report (2010)* that GEF "provide

specific M&E training to the national focal point mechanisms through the country Support Program” was rated negligible because training sessions on M&E have not yet been developed that can be incorporated in the Expanded constituency workshops. This will be incorporated for workshops in 2012.

43. Since its start the MAR has tracked the level of adoption for 99 GEF Council decisions based on 27 evaluations. Of these, 88 have graduated. Of the graduated decisions, 37 percent have been graduated because their adoption was rated ‘high’. These include the nine for which adoption was rated high in FY2010. The remainder had been graduated because they ceased to be relevant. In most instances this has happened due to higher level GEF policy shifts that rendered the earlier decisions irrelevant in emerging context.

### **PERFORMANCE MATRIX**

44. The performance matrix provides a summary of the performance of the GEF Agencies and GEF Secretariat on six parameters, covering key areas such as results, processes affecting results and M&E. Several of the parameters included in the matrix are assessed by the Evaluation Office on an annual basis. Since performance ratings on these parameters fluctuate from year to year, running averages of two to four years, depending on the parameter, are used in the matrix (see Annex D in the full report). Ratings for six parameters are included in the performance matrix this year.

45. The project outcome achievement figures included in the matrix are based on the four year running averages. Of the projects for which terminal evaluations have been submitted since FY 2006, the Evaluation Office rated outcome achievements (parameter 1) of 83 percent to be moderately satisfactory or above. The outcome achievements of 86 percent of the World Bank projects, 90 percent of UNEP projects and 81 percent of UNDP projects have been rated in the satisfactory range.

### **RECOMMENDATION**

<p><b>Recommendation:</b> The GEF Evaluation Office and the independent evaluation offices of GEF Agencies should strengthen their collaboration on the review of terminal evaluations to ensure a more streamlined process which will lead to reduction of delays in submission of terminal evaluations and improve the information concerning project status.</p>
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### **ISSUES FOR THE FUTURE**

46. The GEF Evaluation Office will assess the reporting systems of new Agencies that enter the GEF partnership and closely support their terminal evaluation review process.

47. The Office will seek ways to improve the use of data on completed projects to find innovative, new and potentially interesting correlations and perspectives.