



Global Environment Facility

GEF/C.18/7

November 11, 2001

GEF Council
December 5-7, 2001
Agenda Item 7

SECOND OVERALL PERFORMANCE STUDY

OF THE GEF

FINAL DRAFT

Global Environment Facility

Second Overall Performance Study

(OPS2)

FINAL DRAFT

November 11, 2001

ACRONYMS

BCP	Biodiversity Conservation Project
BINPMGNPC	Uganda Bwindi Impenetrable National Park and Mgahinga Gorilla National Park Conservation
CBD	Convention on Biological Diversity
CBM	Coal Bed Methane
CEITs	Countries with Economies in Transition
COPs	Conferences of the Parties
CPBC	South Africa Cape Peninsula Biodiversity Conservation Project
EA	Executing Agency(ies)
ESCOs	Energy-Service Companies
ESD	Economic and Sustainable Development
GAS	Goal Attainment Scaling
GEF	Global Environment Facility
GEFOP	Global Environment Facility Operational Programs
GHG	Greenhouse Gas
IA	Implementing Agency(ies)
ICDP	Integrated Conservation and Development Planning
IFC	International Finance Corporation
LVEMP	Lake Victoria Environmental Management Project
MSP	Medium-Sized Programs
NAP	National Action Plans
NBSAP	National Biodiversity Strategies and Action Plans
NCS	National Conservation Strategies
NEAP	National Environmental Action Plan
MBNP	Nepal Biodiversity Conservation Project
NFP	National Focal Points
NRM	China Nature Reserves Management Project
ODA	Official Development Assistance
ODS	Ozone-Depleting Substance
OP	Operational Program(s)
OPS1	First Overall Performance Study
OPS2	Second Overall Performance Study
PCZM	Argentina Patagonian Coastal Zone Management
PDF	Project Development and Preparation Facility
PELP	Poland Efficient Lighting Project
PIR	Project Implementation Review
PLEC	People, Land Management and Environmental Change
POPs	Persistent Organic Pollutants
RBLCBSP	East Africa Reducing Biodiversity Loss at Cross-Border Sites Project
SABONET	Southern Africa Botanical Network
SAP	Strategic Action Plan
SGP	Small Grants Programs
SME	Small and Medium-Sized Enterprises
STAP	Scientific and Technical Advisory Panel (of GEF)
TDA	Trans-boundary Diagnostic Analysis
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 (OPS 2) is designed to assess the extent to which GEF has achieved, or is on its way towards 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), James Seyani, Emma Hooper, Ogunlade Davidson, Thomas Mathew, Maria Concepcion Donoso, Allen Hammond and John Fargher. 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, in the sense of not being associated with any of the GEF entities and in having 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 presented on GEF's website. The study uses a variety of information sources. As inputs to OPS 2 the GEF Monitoring and Evaluation 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 OPS 2 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 OPS 2 team selected 11 countries for specific visits, involving meetings with government officials, project stakeholders and representatives of NGOs. The countries are Argentina, Brazil, South Africa, Nepal, Uganda, Samoa, Jordan, China, Jamaica, Romania, Senegal. The latter three countries also provided venues for regional consultations with GEF Operational Focal Points and GEF-accredited NGOs, together with Mexico, Kenya and Thailand. The team also visited individual projects in Kenya, Tanzania, Lebanon, Bulgaria and Hungary. To assist the team during country visits, 14 national consultants/experts were recruited.

Upon the consent of the GEF Council, the Team Leader of OPS 2 and I appointed a Senior Advisory Panel for the study. The panel consists of Jose Goldemberg (Brazil), 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 to give its advice on tentative OPS 2 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 these reviewed by the OPS 2 team.

An Interim Report was prepared for discussion at the GEF Replenishment Meeting in Edinburgh, Scotland on October 11-12, 2001. The tragic events of September 11 affected the time schedule for report writing. Team meetings had to be postponed from mid-September to mid-October. Hence the Interim report was an abbreviated version which contained descriptions, findings and conclusions on GEF efforts, with no recommendations and only a very preliminary version of Chapter 7 on Institutional and Management Issues. The GEF Council members who were not participating in the Replenishment Meeting were also notified that the Interim Report was accessible on the GEF's webpage. On November 1, the revised Chapter 7 was sent to the GEF Secretariat, the Implementing Agencies and STAP for quick comments.

The version is the Final Draft of the OPS2 report submitted in time to be considered at the December 2001 GEF Replenishment and Council meetings. Comments will be invited by December 13, 2001 from the participants in these meetings, but also from all other participants in GEF programs and projects.

The Final OPS 2 report will be completed by January 25, 2002, and will be made available to the February 2002 replenishment meeting participants. It will be translated into French, Spanish, Chinese, Russian and Arabic, and 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 by the OPS 2 team who have struggled continuously against tough travel schedules, unusual external events causing delays, and very tight deadlines. Special thanks are also due to the GEF Secretariat, the staff of the Implementing Agencies at Headquarter and country offices, the Convention Secretariats, the Senior Advisory Panel, the GEF Focal Points, the GEF-NGO network and a large number of other persons 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 OPS 2 team itself. 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

TABLE OF CONTENTS

Foreword.....	iii
Table of Contents	v
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	27
F. Biodiversity: Policy and Program Issues	35
G. International Waters: Impact and Results.....	38
H. International Waters: Program and Policy Issues	42
I. Land Degradation: Impact and Results.....	43
J. Land Degradation: Program and Policy 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.....	65
A. Global Benefits and Incremental Costs.....	65
B. Mainstreaming, Co-financing and Replication of Project Results.....	67
C. Engaging the Private Sector.....	73
D. Public Involvement and Participation	75
E. Role of NGOs and Local Communities	85
F. Project Modalities	87
G. Generation and Use of Scientific Knowledge	90
H. Information and Communication	91
I. Sharing lessons learnt	91
J. Long-Term Programmatic Approach	92

VII. Institutional and Management Issues..... 94

VIII. Main Conclusions and Key Recommendations 113

ANNEXES

Annex 1 Terms of Reference for OPS2 127

Annex 2 Study Team Resumés 135

Annex 3 OPS2 Methodology 139

Annex 4 High Level Advisory Panel 150

Annex 5 Ten Operational Principles for Development and Implementation
of GEF’s Work Program 151

Annex 6 OPS1 Recommendations 152

Annex 7 Mainstreaming in the Implementing Agencies..... 165

I. INTRODUCTION

1. The central theme of 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 crosscutting areas include stakeholder involvement and social issues.
2. In light of results achieved so far, OPS2 analyzes how GEF policies, institutional structures and cooperative arrangements have facilitated or impeded results, by focusing on three main topics: 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 TOR the term “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. 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 which involved meetings with government officials, project stakeholders, and NGO representatives. Among the main sources of information for OPS2’s assessment 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), evaluations of 41 completed projects, implementation reports from on-going projects, and annual Project Implementation Reviews involving the three IAs and the GEF Secretariat. It should be noted that OPS2 was provided with a list of 95 completed regular projects as of June 30, 2000. This group of regular projects represents about 15% of project approvals since the GEF was started. However, less than half of these completed projects (41) had finalized project evaluations with reports which could be made available to OPS2. Hence the project cohort consisting of completed projects with project evaluations constitutes about 7% of total project approvals by the GEF.

6. The OPS2 team also used the Goal Attainment Scaling (GAS) method to bring out stakeholder perceptions of participation, project ownership and the 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 six sub-regional meetings with NGOs and national Operational Focal Points for the GEF.
8. The OPS2 team conducted country visits to 11 countries, involving interviews and meetings with key stakeholders, and field visits to some 23 GEF projects. The final selection of 11 countries was made by the Team alone: *Argentina, Brazil, South Africa, Romania, Jordan, Senegal, Jamaica, Nepal, Uganda, China and Samoa*. Additional field visits were made to GEF projects in Hungary, Bulgaria, Tanzania, Kenya, and Lebanon. Regional consultations with national GEF Operational Focal Points and GEF-accredited NGOs were conducted in conjunction with the visits to Romania, Senegal and Jamaica, as well as in Kenya, Mexico, and Thailand. The team was also represented at the May 2001 meeting of the GEF Council and its associated NGO consultation; and also at the October GEF Replenishment meeting in Edinburgh.
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 Vienna Convention for the Protection of the Ozone layer of 1985, including the 1997 Montreal Protocol on Substances that Deplete the Ozone Layer, was not initially supported by donor funding. In this respect, its London amendments of 1990 was considered a major breakthrough in global environmental governance. These amendments created a specific financial mechanism, the Multilateral Fund, which received substantial financial support.
11. The UNFCCC and the CBD 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. In the negotiations for the Earth Summit and the climate change and biodiversity conventions various arguments were made that each of the new agreements should contain a dedicated financial mechanism, whereby countries in the North would make contributions to help implement the intent of each convention by countries in the South. The novelty of a financial mechanism for the Montreal Protocol became an appealing concept for replication in new conventions.

13. The idea of setting up many different financial mechanisms under different conventions was met by considerable skepticism and even opposition by donor countries—in part because of the concern that it would result in too much institutional fragmentation.

14. Instead another proposal emerged—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. As it turned out, the GEF was the only new source of international financing that emerged from all the parallel negotiations during the later 1980s and early 1990s. The GEF was established, after prolonged negotiation, 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 the resolution of the Executive Directors of the World Bank and related inter-agency 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. Its Secretariat would coordinate GEF activities and carry out GEF Council decisions. The GEF would largely rely for project development and implementation on three IAs of proven technical competence in this field 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* and 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 to (i) review the general policies and evaluate the operation of the GEF on the basis of reports submitted by the Council; (ii) keep under review the membership of the GEF; and (iii) consider, 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 during April 1998. The second Assembly will be held in Beijing, China, in October 2002.
- Council, consisting of 32 Members,¹ which meet 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 taking into account reviews carried out by the Assembly. The Council has main responsibility for reviewing and approving the work program.

¹ 16 Members from developing countries, 14 Members from developed countries, and 2 Members from countries of central and eastern Europe and the former Soviet Union.

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

18. In May 1999, the GEF Council expanded the range of Agencies which 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.

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 which builds on the comparative strengths of the different entities. The immediate level of partnership is among the GEF Secretariat, STAP, and the three Implementing Agencies—UNDP, UNEP and the World Bank—given their significant roles in the gestation 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. It was understood that this focus would have to be placed in a sustainable development context. The IAs were expected to address these

larger sustainable development dimensions, by relating GEF-funded activities into a development and environment policy framework through strategies and programs at the national level.

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 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 had no global convention, but relates to a number of international, regional and sub-regional conventions and agreements. Alleviating Land Degradation was approved as a cross-cutting issue. The GEF Council agreed in 2001 to consider setting up new Focal Areas for the land degradation issues, and also for the new Persistent Organic Pollutants (POPS) Convention.

23. The GEF was established with funding largely from the OECD countries for the purpose of serving as a common facility for various convention-related financial mechanisms, both present and future ones. Its operational principles explain that for the purposes of the financial mechanism for the implementation of the two global conventions the GEF will function under the guidance of, and be accountable to, their COPs.

24. Thus the GEF has become the only multi-convention financing facility in existence and it is now the major source of funding specifically supporting international environmental agreements.

25. The catalytic role of the GEF in mobilizing resources from other sources has been key 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 the regular reporting of the GEF-CEO to the Conferences of the Parties (COPs) of each of the conventions. In addition, the IAs often present more general reports on their institutional programs separately to the COPs. Such reports would 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.

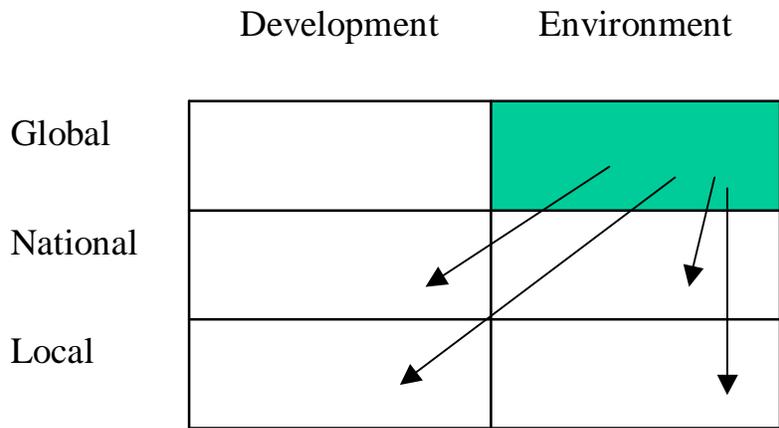
C. THE DEVELOPMENT CONTEXT

28. The operational programs of GEF are guided by its Operational Strategy of 1996, with its 10 Operational Principles (Annex 5), and the subsequent approval so far by the GEF Council of a total of 13 specific Operational Programs. The fourth of these Operational Principles state 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 will need to relate to the economic and social development aspirations of developing countries and their own 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. OPS2 finds that this scope can be illustrated by the following diagram:

MATRIX FOR GLOBAL BENEFITS AND SUSTAINABLE DEVELOPMENT



SUSTAINABLE DEVELOPMENT

31. As articulated by the conventions, there is considerable opportunities for GEF activities focusing mainly on global issues to have significant ‘other impact.’ Furthermore, GEF activities can also serve to mobilize co-financing for the purpose of broadening the development impact.

32. Each of the focal areas provides scope for exploring objectives related to sustainable development benefits at both national and local levels. Reduction of greenhouse gas emissions can also bring about significant energy savings and reduced air

pollution which benefits public health. Protection of biodiversity of global importance may also provide substantial benefits to the country's tourism industry as well as employment and other income sharing benefits to local communities. Safeguarding the health of international waters can also provide direct benefits to local health and provide improved yields from fisheries.

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 OPS2, as emphasized in its TOR, is whether GEF-funded projects have been able to produce significant results from its completed and on-going projects. Even though the GEF portfolio is still young, there is now a growing number of completed projects and with many on-going projects reporting measurable achievements. OPS2 started its work with some critical questions in this regard, including whether results so far achieved have been significant enough to conclude that the GEF should be continued. A substantial part of the initial OPS2 work with the various GEF entities and also 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 the 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 raise co-financing from the IAs and others for GEF activities. These issues are analyzed in Chapter 6. The broader program and policy issues and findings 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 the overall conclusions and recommendations.

36. During the work of the OPS2 there was continuing attention paid to the set of recommendations presented by OPS1 four years ago, as well as the follow-up which has taken place since then. The complete list of OPS1 recommendations, with a brief summary prepared by the GEF M&E Team for OPS2 based on various reporting documents on this topic to the GEF Council, is presented in Annex 6. As will be appearing from this report, the OPS2 has considered most of the issues raised by OPS1. In several areas considerable efforts have been made to implement these recommendations and some encouraging progress. Yet, some of its key findings and recommendations concern issues which OPS2 found to be continuing weaknesses in the GEF.

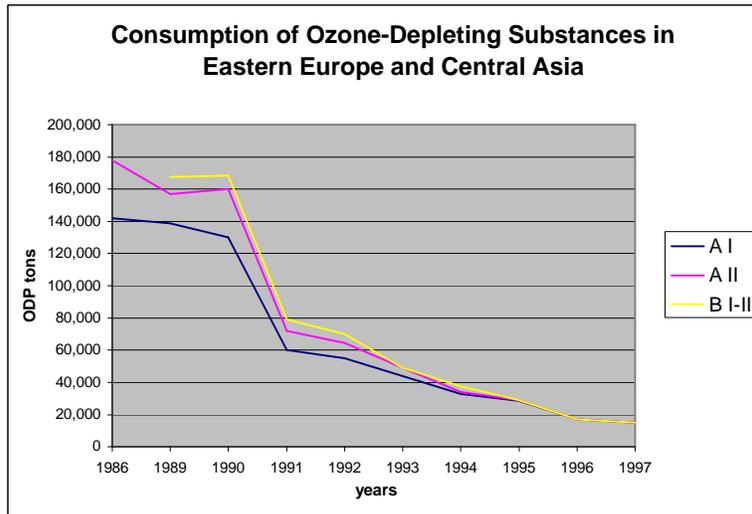
II. THE GLOBAL CONTEXT

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, and 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 marked by 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 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, dramatic progress had been

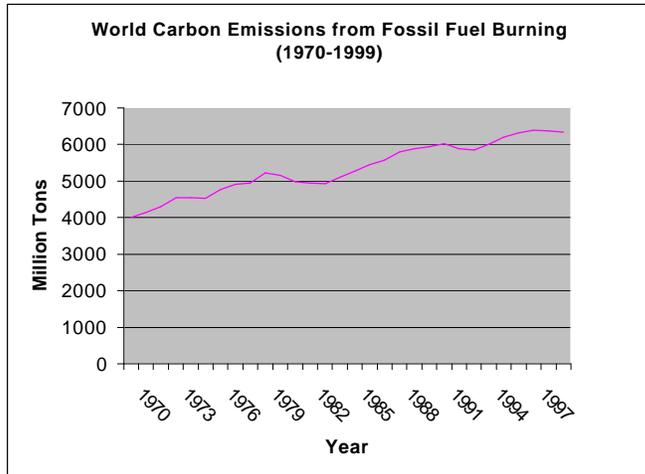


achieved in phasing out emissions of ozone depleting substances.³

40. For climate, however, concern had given way to growing certainty, supported by a broad-based international scientific consensus: a warming climate, shifting precipitation patterns, melting glaciers, rising sea levels—all attributable at least in part to emissions of

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 Graph of CEIT emissions reduction, from GEF, to be replaced by world data from Montreal Protocol in the Final Report.



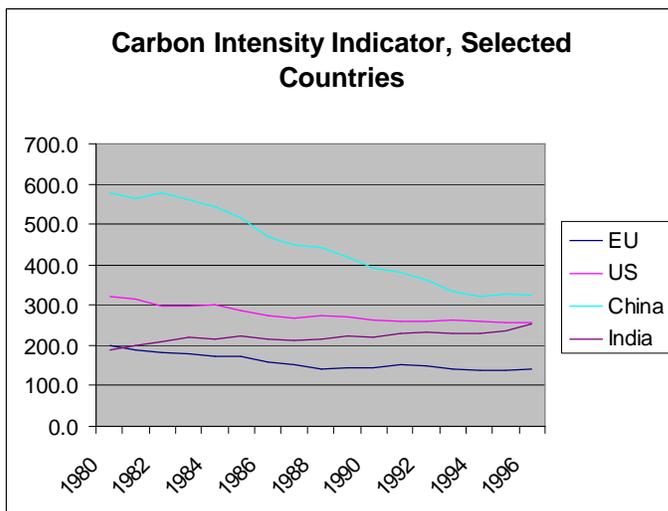
greenhouse gases from human activities. The 1990s was the warmest decade on Earth since meteorological records have been kept.

41. Driven by growing use of fossil fuels, emissions of greenhouse gases have risen rapidly in past decades. In the 1990s, however, global emissions of carbon dioxide, the most important greenhouse gas, rose more slowly and then peaked in 1997 at about

6.4 billion tons of carbon. Emissions have since declined slightly,⁴ but the level of emissions are still above what has been found sustainable by the 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 those of 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 % of the world's land surface and help maintain water supplies, prevent erosion; they provide habitat for two-thirds of known terrestrial species. But forested land is being converted to

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.

other uses, especially in tropical forest countries, at rates of about 130,000 square kilometers per year. Harvesting of wood is occurring at rates above the replacement rate in Canada, Russia, Australia, and most developing countries.

46. Nearly 30 % 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, firewood gathering, and invasion by non-native species, breaking 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 % 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 % 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 % 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 % of the world's marine fisheries were judged to be at risk, up from 69% at the end of the 1980s.⁹ World fishing fleets gained the capacity to capture 40 % more fish than the major ocean fisheries could 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 mid-decade, 40 % 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.

50. Food production by and large kept pace with population growth, as irrigation expanded and yields continued to improve. But agroecosystems faced future problems

⁶ *The Last Frontier Forests: Ecosystems & 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): ??

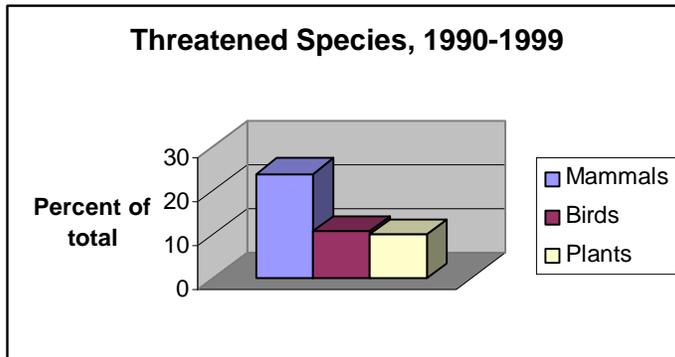
⁸ Health Ecological and Economic Dimensions of Global Change (HEED), 1998. Marine Ecological Disturbance Database.

⁹ UN Food and Agriculture Organization, 2000.

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

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 1096 species of mammals (24 % of known species), 1,107 species of birds (11 %), and 25,971 species of plants (10 %).



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%) 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 % in the 1990s, with high-income countries accounting for a fairly consistent 80 % 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% between 1987 and 1997; electricity use grew 32%. The number of passenger cars reached 500 million worldwide, a 25% 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 US\$884 billion in 1999. Developing countries received part of these inflows (for low and middle income countries, the numbers are US\$24 billion in 1990, about US\$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% of world GDP in 1999. Trade in goods and services expanded from 39 to 52% of world GDP over the decade. The economic importance of global financial markets, and of large multinational corporations, continued to increase. In part as a result of this globalization of economic activity, output expanded, with developing economies growing at 3.2% over the decade and high-income countries at 2.3%.

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 led to far more widespread availability of information, and new forms of communication and commerce. By the end of the decade, virtually every country was connected to the Internet, although access availability and access 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 US\$16,873 in 1990 to US\$18,375 in 1997.

56. An estimated 1.5 billion people (38 % 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 US\$1 per day, and more than 2.7 billion living on less than US\$2 per day. In addition to material deprivation, the poor also face heightened vulnerability, social exclusion, and exposure to environmental risk. Among many serious diseases facing all countries, the AIDS epidemic spread to infect one of every 100 adults worldwide, inflicting devastating human and economic costs on many countries in sub-Saharan Africa, where two-thirds of those who are HIV positive live.

57. Despite these growing needs, official development assistance (ODA) declined from 0.3% of world GDP in 1990 to 0.2% in 1999—a total of just US\$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 but has simultaneously increased the vulnerability of many poor communities. Easily devastated by forces beyond their control, such as natural disasters, such communities are also at risk from disruptions caused by volatile capital flows and increased government policy interest in more intensive domestic and foreign utilization of natural resources. Poor communities often face serious problems from 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 that the GEF can, by itself, turn around global environmental trends. It is in that context that OPS2 has considered its assessment.

III. PROGRAM IMPACTS, RESULTS, AND POLICY ISSUES

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

- The 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 an external evaluation of the Ozone Program, which were the starting point for the assessment.
- Evaluation reports from completed projects and reports and documentation from IAs regarding on-going projects, which 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, which were also used to assess and supplement the findings of the program studies.
- Interviews with IAs, STAP and secretariats of conventions (CBD, UNFCCC, and CCD).

61. The OPS2 team notes a number of limitations in available data and information. First, due to lack of base line data, the Program Studies had difficulties in being able to report measurable results related to the GEF's impact on the global environment, whether from completed or on-going projects. Second, only a relatively small number of projects (95) have been completed. Among these, evaluation reports have been produced for 41 completed projects. Hence, the completed projects represent 15% of the total portfolio not including enabling activities and the projects with evaluation reports available to OPS2 represent about 7% of this portfolio. A third limitation is the difficulty of measuring impact from older projects due to lack of impact-related data from projects approved during the Pilot Phase. 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 the GEF activities on the global environment.

62. In reporting the impact of GEF projects, OPS2 has focused primarily on the role of the GEF. In actual 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

from GEF projects in this report, OPS2 may not explicitly attribute credit to each of the partner agencies (especially Governments). However, it goes without saying that the credit for the achievements is shared among all the 'stakeholders' concerned.

A. OZONE: IMPACTS AND RESULTS

63. Over the past decade, the GEF has committed US\$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 an expected US\$67 million in co-financing, supported 121 subprojects in 14 countries, with one additional country (Estonia) expected to begin implementation shortly.

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 were expected to be in compliance by or before 2003. As of 1999, ODS consumption in the 15 countries receiving GEF support had declined by more than 90%, 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 ODS production and consumption in 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 US\$7.5 per kilogram of reductions.

66. According to the external evaluation report on the ozone program, audited reductions directly attributable to the GEF investments amount to 27% 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 the larger reductions by enhancing the commitment of recipient countries and through GEF-funded efforts at institutional strengthening. These activities included developing legislative frameworks, improving the exchange of information, and 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 OPS2 agrees generally with the overall findings of that report.

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

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

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, extensive capacity development, and innovative public awareness efforts. Consumption went from 1,360 ODP tons/year in 1992 to essentially complete phase-out of Schedule A and B substances in 1998, with much of the impact already occurring during the planning phase of the project.

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 3-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 ban on imports that went into effect in 1996 and control smuggling. An NGO-implemented public awareness campaign focused on teenagers and used 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.

67. Overall, OPS2 finds that the GEF has been responsive and supportive of the Montreal Protocol; that the impact of the GEF has been significant in helping to achieve meaningful reductions in ODS; and that 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 a number of countries by economic instability within recipient countries or by the time required for them to ratify the London Amendment of the Montreal Protocol. The program also encountered problems in the refrigerator servicing sector within most countries 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, as described above, 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 integrative approaches.¹³

- Countries formally adopted national programs; GEF grants were structured to enhance the national commitment.
- Country-wide programs were integrated with sector-specific strategies.

¹³ As discussed in "Study of Impact of GEF Activities on Phase-Out of Ozone Depleting Substances" (GEF Evaluation Report #1-00)

- 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.

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. OPS2 found evidence that while effective, the program could have 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 decision-makers. 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, with an agreed country program, given to each government in how to use GEF funds for ODS reduction seems to have played an important role in catalyzing national commitment, and points to the strategic value of GEF policies that can more directly empower governments.

72. With all projects under implementation and substantially complete achievement of its objectives, the GEF ODS-reduction efforts for Annex A and B substances are themselves being completed, while support to phase out methyl bromide and HCFCs are continued.

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 US\$1 billion, attracting in turn an expected US\$5 billion in co-financing.

74. Among the 43 climate projects that have been completed or have been in operation for at least two years by June 30, 2000, 19 were in Asia, 12 in Eastern Europe, 8 in Africa and 4 in Latin America.

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

76. OPS2 finds that project impacts from the climate change focal area are slow in emerging, since only a small part of the portfolio (11 projects) has been completed so far.

Nonetheless, OPS2 finds that there have been important results in a number of specific areas described below. OPS2 also finds that there have also been important indirect influences and impacts from GEF projects in the climate change focal area. These include increased awareness and understanding of climate change issues observed in many countries visited by the OPS2 team; increased knowledge of specific technologies by policy-makers, financial institutions, energy sector companies, investors, and NGOs as a result of a GEF commitment; 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 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 US \$10 million in GEF funding, aimed to reduce methane emissions from coalmines to contribute to protecting the local and global environment through the demonstration of appropriate techniques and technologies; and sensitization of 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. The technology 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%
- an increase in the number of households using methane for cooking through the production of an additional 25 cu.m/year to each of 22,000 households; and 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)
- CBM has been designated as a national priority in China's development plans and is cited in environment and energy policy speeches
- CBM recovery is now included 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 use; and the development of new techniques which have been disseminated to other countries via training and workshops
- Sufficient capacity has been built to drive the process on a commercial basis: the Tiefa mining company has now been able to attract funds from APEC, and is interested to identify further support to expand their 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 of increasing power generation by a factor of 5 or more compared to conventional biomass power plants. Two projects, one focused on wood chips and the other on sugar cane bagasse and sugarcane wastes, 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 potentially 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 development of 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, thus 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% to 27%. The Copersucar technology center gained an international reputation as a leader in biomass power. The projects also contributed to heightened awareness of the energy and climate potential 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 wood chip 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. Sao Paulo State energy officials, aware of the strategic importance of the State's bagasse resource, 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. And CHESF reports that it has been approached by other private sector entities, including Japanese companies, about participating in commercializing the technology.

The market opening created by Brazil's energy crisis may prove to be the tipping point for commercial biomass power, but 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 grid-connected new 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 from sewage treatment plants or landfills to produce power in India and Jordan, wind power in India, and bagasse-based power in Mauritius. In Mauritius, the GEF project stimulated significant private power involvement.

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 expected. Nonetheless, several promising business and consumer credit models for solar PV are showing initial success, with good prospects for replication and scale-up. Progress has been made on increased awareness and 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 are common features in these projects, and these schemes have helped to boost the market in rural areas.

MARKET-ORIENTED APPROACHES

81. The 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. The project in Poland, for example, targeted subsidies to manufacturers of efficient lights and improved penetration from 10% of households to 33% after one 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 have been installed as a result of GEF projects, with sustained reductions in market prices to the

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) so as 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 around US\$15 compared to US\$0.4 for incandescent bulbs.

The project used direct subsidy programs, increased 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% to 33.2%, and has now reached 50%, far higher than in most OECD countries. The CFL price declined in real terms by 34% between 1995-98 and had 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 manufactures have entered the Polish market. The project thus illustrates the value of market stimulation, transforming a low demand-high price market by using a manufacturer subsidy and a mass media campaign.

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 the China efficient lighting project even before it begins implementation.

82. A novel financing approach—using GEF funds to provide loan guarantees to commercial banks that financed 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. The GEF efforts reported in the 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 that of 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 on this situation 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 % 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 %. The energy savings pay for the project; 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 % 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. Yet the IFC chief of mission, Borbala Czako, believes that the GEF money plays a critical role, because some of it is used to pay for the education and engagement of each new sector in energy efficiency. She also believes that the risk guarantee approach using intermediary institutions would be effective to catalyze change in environmental areas well beyond energy efficiency.

83. Providing business and supporting services is an approach that has provided results in a few GEF projects. In Thailand, a demand side management project used public awareness campaigns, appliance energy labels, and other educational approaches to increase energy efficiency. In Bulgaria, creating a network of mayors of municipalities and helping the network to conduct energy audits and understand potential energy savings—and its human health impacts, since many school rooms go unheated in Bulgaria when municipalities cannot afford to pay for heat from antiquated district heating schemes—has triggered energy efficiency investments in many towns.

CAPACITY-BUILDING AND INSTITUTIONAL DEVELOPMENT IMPACTS

84. GEF support under Enabling Activities 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 to 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, OPS2 was informed that some 500 professionals from more than 100 different institutions participated in that country's emissions inventory alone. In addition, OPS2 observes 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 OPS2 and the Program study show that a variety of institutions have been created or strengthened—from projects promoting energy efficiency to commercial companies. One example is the strengthening of a Thailand utility by creation of 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. CPACC is among the first examples of this type of projects (see Box 3.6).

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

Impacts of climate change forecasted by the scientific community are considered of the highest priority for the small island and low-lying coastal states development agendas. Twelve Caribbean countries, members of CARICOM, are presently participating in a GEF-supported project with the objective to begin the planning process to cope with these adverse impacts, particularly sea level rise, in coastal and marine areas through vulnerability assessment, 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 results is that although CPACC is a regional project (i.e., takes into consideration the limiting technical capacity 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 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 in a number of countries. The solar photovoltaic project in Zimbabwe led to the development of national codes for installing these 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 led to 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 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 OPS team was informed that the biogas power project was negotiating a power-purchase agreement with the national utility. Overall, however, the OPS2 agrees with the Program Study that the GEF potential for influencing policy has not been used to the extent it could, with correspondingly modest results.

REPLICATION

89. The impact of the climate change portfolio projects will ultimately depend on the extent of replication. With only 11 projects completed so far, the direct impact on global environmental objectives is limited. Some replication has been documented. For example, the decentralized wind project in Mauritania and the demand-side management in Thailand are resulting replication within these countries. The PELP in Poland has triggered sustained declines in market prices of CFLs, to the benefits of consumers, and increases in the market share of CFLs. The coal-bed methane project in China has not only led to replication in China via a newly establish intermediary institution and widespread dissemination of information about the technology internationally, but the sustainability of this project seems assured since 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.

D. CLIMATE CHANGE: PROGRAM AND POLICY ISSUES

90. The OPS2 team identified a number of significant issues and findings pertinent to on-going and future work in this focal area.

SHARING EXPERIENCE

91. OPS2 considers it important that sharing of the lessons gained from GEF projects be strengthened and accelerated, so that GEF resources can be used more effectively. Cross-learning has been slow, and effective efforts relatively recent. OPS2 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 there are few completed projects so far in the climate change portfolio, project lessons are beginning to emerge. They have the potential to form a body of knowledge that can be utilized in on-going projects and in designing new projects. The second phase of the China Township and Village Enterprises (China-TVE)

project was largely built on the experiences gained in the first phase of this project, especially in the development of technical skills and educational materials. The demand-side management project (Thailand-DSM) provided some lessons in developing a more recent similar project in Vietnam.

REPLICATION OF PROJECT RESULTS

92. With only about 11 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 planned for in project design. A number of factors can inhibit project replication. For example, the energy efficiency project in Jamaica 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 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, the PV project in Uganda, and the energy efficiency project in Senegal 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.

93. Perhaps one of the most important factor 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 finds that a clear understanding of the scope for technology development and demonstration, an emphasis at the project design stage on market transformation, demonstration of viable business models, and other approaches that effectively engage the private sector could help improve replication.

STRENGTHENING PROJECT RISK ASSESSMENT AND MANAGEMENT

94. Significant project risks face 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 commitment.

95. While the Jamaica DSM project mentioned above was found to be relatively successful during most of project implementation, but 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 non-payment by users. 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 to manage a wide range of potential risks, if they are to manage market-oriented projects. This will be of especial concern as the number of Executing Agencies expands. OPS2 finds that careful choice of Executing Agencies with the necessary range of market awareness and financial skills is an important starting

point, and that broader use of economic instruments in project design could help provide the necessary flexibility and risk management tools.

LONG-TERM PROGRAMMATIC APPROACHES

96. Long-term programmatic approaches require sufficient GEF "credibility" and experience in a country. The OPS2 team found that the Chinese experience in developing a programmatic approach towards GEF funding has significantly enhanced GEF climate activities in that country.

ENABLING ACTIVITIES

97. While these activities have been very useful, the complexity and novelty of the subject matter 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. A missing link has been the failure to integrate climate change concerns into national development policies and project pipeline development. Such a task is time consuming and demands skills and expertise beyond what has been provided in EA projects. The OPS2 team finds that benefits from EA projects are useful and provide a good first stage involvement in the complex subject matter of climate change, while recognizing that integrating such focal areas into program and project planning may require longer project time and broader expertise.

LESSONS LEARNED

98. 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 policies or subsidies 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 in a broader and well-conceived rural development strategy.

OVERALL CONCLUSIONS

99. 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 on risk reduction. The GEF has had the least success with off-grid, rural renewable energy projects, despite the very large

need; this area also poses the most difficult challenges. OPS2 suggests that the GEF target the productive uses of energy in rural economies and seek more innovative approaches than it has pursued so far. Overall, OPS2 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 hence where it is likely to have the greatest impact.

100. An important element of a more focused climate change program is the creation of enabling environments for market transformation. OPS2 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. Here the World Bank and the IFC have unique skills, the latter of which have been underutilized in GEF programs. The procedural issues that have contributed to under-utilization of the IFC, such as the long time delays in the GEF approval process and some hesitancy 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.

101. 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. An example of how effective such coordination can be is the dramatic changes in Hungary in recent years. There, a UNEP global project prepared climate scenarios that had a significant impact on understanding of climate issues by decision-makers and on the legislative process; 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 impact on public and private sectors. Unfortunately, such coordination is rare. While recognizing that circumstances will vary from one country to another, OPS2 commends the Hungary example to the GEF as a model for country-level coordination.

102. OPS2 finds that the existing GEF system is slow to recognize success, and thus slow to replicate and integrate the lessons in planning for future projects. OPS1 commented on the innovative risk-reduction IFC project in Hungary, as has OPS2, but widespread replication in other countries is 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 by OPS2 argue for additional capacity within the Secretariat and for the inclusion of Secretariat staff in selective mid-term project reviews, to inform a more strategic role in portfolio management by the GEF Secretariat, as discussed in Chapter 7.

103. Finally, OPS2 believes that the GEF needs to seek higher leverage opportunities. Five or six to one co-financing—the level 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 leverage may entail higher risks, or at least new forms of risk and new modalities of engagement, including risk guarantees and equity participation. OPS2 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

104. 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 US\$1.2 billion over the past nine years to meet the incremental costs for the conservation and sustainable use of biological diversity in 123 developing countries and economies in transition. It has additionally leveraged over US\$2 billion in expected co-financing.

105. The biodiversity focal area activities include 395 full and medium sized projects and enabling activities. 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 of agricultural biodiversity (OP13)

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

107. The GEF Biodiversity Program draws its mandate from the CBD and attempts 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.

108. OPS2 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, the program has resulted in building institutional and individual capacity in biodiversity conservation, in developing

new conservation approaches, in forging effective partnerships, in strengthening legal frameworks, in 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 OPS 2 noted the findings and conclusions of the evaluation carried out under the Biodiversity Program Study (2001). OPS 2 independently verified some of the outputs and results through its in-country consultations and project site visits to 15 countries. Specifically, OPS2 finds the following key positive impacts from the biodiversity portfolio.

GLOBAL COVERAGE

109. 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, the UNESCO Man and the Biosphere Program as well as globally important species listed under various Conventions and in the IUCN lists of threatened and endangered species. In FY 2000 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), Mountain Ecosystems (14 projects). GEF is moving towards developing a broadly representative base of globally important ecosystems. OPS 2 notes that there is no guidance from the 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 in terms of what is actually being achieved in regard to the conservation of biodiversity.

CONSERVATION OF PROTECTED AREAS

110. The GEF has steadily improved the standards of management of protected areas through participatory approaches. In a special assessment by the Biodiversity Program Study of 49 projects that were protecting biodiversity in 320 protected areas covering a total of 60 million hectares from within the GEF portfolio, more than 50% of them were assessed to have fully or mostly met their objectives. More than 50% had 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 OPS 2 observed a number of successful protected area projects involving conservation of biodiversity of global significance. The Uganda BINPMGNPC, for instance, covers 766 sq km, protects the highest diversity of primates in Africa (13 species) in addition to other endemic species of plants, animals and birds. The South Africa CPBC protects one of the six world plant kingdoms (Cape Floral Kingdom), and associated terrestrial and marine biodiversity. The China NRMP network covers 625,000 ha 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 sq km in north east Nepal. The planning and management approach used was strongly participatory (see Box 3.7).

Box 3.7 COMMUNITY-BASED CONSERVATION IN NEPAL

The Makalu Barun National Park and Conservation Area (MBNP/CA) in north-east Nepal is a successful example of community based conservation management financed by the GEF. Covering 2,330 sq km, 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 assured with on-going 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 on-going 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 shared in non-formal education classes and through 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 since such persons have many other commitments; and
- 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

111. GEF projects are increasingly moving beyond narrow protected area-based conservation to strategies that conserve biodiversity within the broader production landscape. Of a selection of 20 projects that conserve biodiversity in production landscapes, the Program Study found that about half were assessed to have achieved most of their objectives while the remainder had partly achieved them. OPS 2 country visits identified some positive examples of biodiversity conservation outside protected 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 tried in order to tackle special problems affecting ecosystem productivity within the mosaic of conservation and development activities. For instance a number of GEF projects have included mitigation measures against the threat of invasive alien species that have adverse impacts on indigenous biodiversity, and on economic activities. The East Africa LVEMP¹⁴ has brought under control the water hyacinth that was threatening the fisheries, navigation, power generation, and water quality of Lake Victoria. The use of the water hyacinth

¹⁴ The East Africa LVEMP 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 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 rapidly being degraded. Support for biodiversity conservation in the Cerrado is apparently neglected by other sources of conservation funding. In the first five years of the program 39 projects were funded with a total of US\$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 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.

weevils has reduced the weed population by 70%—resulting in increased population of many fish species, creating better access to fishing areas, improved navigation and power generation.

SUSTAINABLE USE OF BIODIVERSITY

112. The GEF has developed a number of effective projects both within protected areas and in 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 being implemented on a small scale 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 (Biodiversity Conservation Project, South Pacific). The East Africa LVEMP 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

113. The Program Study found that of the projects examined, more than half demonstrated efforts toward achieving benefit sharing. OPS2 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 and Bwindi Trust that has benefited 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 Dana Reserve Conservation project has increased the annual number of visitors from about 4000 in 1993 to 35,000 in 1999. Eco-tourism development earnings have increased from US\$6760 in 1994 to US\$18,000 in 1997 (covering about 70% of the Reserves operating costs) to an estimated US\$330,000 in 2000. In total there have been an estimated 3,430 direct and indirect beneficiaries. There has been a one-third increase in funds going

Box 3.9 MGAHINGA AND BWINDI IMPENETRABLE FOREST CONSERVATION TRUST (MBIFCT)

The MBIFCT is a GEF funded biodiversity trust fund that supports biodiversity conservation in the 331 sq km of Bwindi Impenetrable National Park and 48 sq km 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 those that traditionally relied on harvesting forest resources. In this way, the Trust has helped to halt habitat degradation and protect the threatened biodiversity of two of the richest protected areas in Africa with 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 show that the populations of threatened big game and the Mountain Gorillas are increasing slowly. Both applied ecological and conservation research supported by the Trust is providing new and important data for the management, monitoring and evaluation of the biodiversity of the parks.

Alternative livelihoods developed by local people living around the national parks with support from the Trust include 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 as their parents did. Similarly, they argued that the clinics would treat their ailments that they used to treat with herbal medicines that they harvested from the National Parks but were now restricted from entering to harvest the medicinal plants. Today the schools and clinics serve about 75% of the 300,000 people of 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 a change in attitude of the local people towards the conservation of the National Parks and its biodiversity. A sense of ownership has been developed and local communities have become proud of "their" gorillas. The local people now report poachers to Park authorities, which was not the case before. The success of this Trust has resulted in replication of biodiversity trust funds elsewhere—including the Nepal (Nepal Biodiversity Trust Fund) and Malawi (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.

direct to the local community since the second phase of the project. The higher eco-tourism income and environmental concerns influenced the Ministry of Mining and Mineral Resources to halt copper mining in the Dana Reserve. However, in the view of OPS2, the GEF portfolio could considerably extend its work on benefit sharing as defined by the CBD. For instance there have been few projects demonstrating sharing of revenues from royalties, fees, etc., from exploitation of indigenous knowledge of biological resources. There is also need to make an assessment of the sustainability of the benefit sharing initiatives that have been put in place over the years.

IMPROVING THE ENABLING ENVIRONMENT

114. An important indicator of the larger impact of GEF projects is the influence that they exert on formulation of new policies, regulations and laws that promote a favourable enabling environment for biodiversity conservation. The OPS2 team observed many instances of policy changes, new policy formulations, new legislation, and new regulations that followed from GEF-supported initiatives. These changes have occurred

at the local, national and international levels. For instance in Jordan, the Biodiversity Country Study and the Jordan Dana and Azraq projects 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.

CAPACITY BUILDING

115. The GEF has planned capacity building to form an integral part of all the GEF-financed biodiversity projects. OPS2 finds that capacity development elements are 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 in the vicinity of the Royal Chitwan National Park that is used to train Park officials, staff of the Department of National Parks and Wildlife Conservation, local community leaders, research students and park visitors. The South African Botanical Network (SABONET) has trained technical and professional botanists on plant taxonomy to meet the floral diversity management needs of the ten participating countries. (See Box 3.10).

Box 3.10 CAPACITY-BUILDING THROUGH NETWORKING

The SABONET project aims to build capacity and 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. The project has developed critical human resources needs in taxonomy and has improved institutional capacity that have greatly benefited the participating botanical institutions. A total of 17 short courses have trained 192 technicians and professional botanists in various herbarium and botanic garden-related skills (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 and using botanical experts from the sub-region. 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, 1 BTech in horticulture architecture and 1 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 hardwares and softwares 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 garden for the ex-situ conservation of threatened plant species. SABONET has already completed a botanic gardens needs assessment, and botanic gardens network will strengthen the work of botanic gardens of Southern Africa. The human and institutional capacity developed by SABONET is to document, evaluate and monitor plant diversity conservation and sustainable use through ethno-botanical research, i.e. uses, trade and threats of medicinal plants; development of 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 useful books on the taxonomy and diversity of plants in Southern Africa. SABONET has also strengthened regional cooperation and networking. Joint plant exploration expeditions within the project area, i.e. Nyika Plateau (Malawi) have been undertaken where young botanists are mentored 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 an invisible campus where over 100 active botanists are actively involved in implementing SABONET's goals. The project has attracted co-funding from USAID and participating governments. The success story 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.

SCIENTIFIC RESEARCH INPUTS

116. There are several GEF projects that have incorporated research components to find solutions to problems of biodiversity conservation and sustainable use that have led to the generation of valuable information for making sound conservation management decisions. The East Africa LVEMP has generated important research data for the conservation and sustainable use of the fish and other biological resources of Lake Victoria. The People Land Management and Environmental Change (PLEC) project's Amazon cluster's research and extension strategy forms a good example of the use of traditional ecological knowledge married to 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 multi country programme of studies on the practices of small farmers in relation to biodiversity conservation and livelihoods. The Amazon 'cluster' researchers work with farmers at five sites on the Amazon floodplain ranging from Macapa 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 which 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, those 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, these experts pass on to others the techniques and management philosophy which 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 led to 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. These systems are now being disseminated throughout the region.

REPLICATION

117. OPS 2 noted numerous instances of GEF biodiversity projects that have served as demonstration models for successful conservation and capacity building that have led to the replication of similar projects elsewhere using both GEF and/or other donor funding. For instance the positive lessons from the Southern Africa SABONET in capacity development for taxonomy has been replicated in East Africa where the BOZONET project has been developed. A similar project is being initiated in the Caribbean.

Lessons learned from the South Pacific BCP are also being replicated by international NGOs and organizations, such as the Nature Conservancy, WWF, IUCN, Secretariat of the Pacific Commission, and the World Bank (Samoa MPA).

SHORT-TERM EMERGENCY RESPONSE MEASURES

118. 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 the scientific expertise and international cooperation that has assisted countries to respond to the emergencies and also build human and institutional capacities. In Mauritania, following the massive deaths of the threatened Monk Seals in 1997, the GEF emergency funding through UNEP led to the international action that successfully 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. 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 potential to respond to global environmental disasters, and GEF should develop the emergency response measures as a separate 'funding window' under the biodiversity focal area with clear guidelines to ensure urgent approvals, disbursement of funds, and rapid action.

STAKEHOLDER PARTICIPATION

119. 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 people, local communities, academics, NGOs, and the private sector. For example the East Africa RBLCBSP successfully integrates biodiversity conservation, management of land degradation and poverty alleviation. The project has active community participation and ownership in forest management plans, led by voluntary and inclusive Environmental Planning Committees who are empowered to be agents of change in each community. In Samoa, traditional decision-making structures at the community and local levels have assisted the effective participation of key stakeholders in the South Pacific BCP and Samoa MPA.

120. GEF biodiversity projects have created increased conservation awareness and understanding among various stakeholders including local communities, NGOs, decision-makers and the political leadership. The OPS2 Team noted a number of projects that disseminated information through outreach programs that included interpretation centers, newsletters, signage and the use of the mass media (East Africa RBLCBSP, Kibale Forest Wild Coffee project). The Argentina PCZM project carried out successful public awareness campaigns that included use of short video clips and documentaries on national TV. The implementing NGO, Fundacion Patagonia Naturale, hosted a TV spot for two years with financial contributions from local retailers who paid for TV and radio

air time. In the East Africa LVEMP area, the awareness of the project by local people is so high, even young students know the function of the dudus (water hyacinth weevils). In the Africa RBLCSPP key awareness messages in the Minziro forest community have led to sustained action. The project connect 8,400 people in more than 1,800 households in three villages who are promoting reforestation (10 trees per household target) to address 'supply side' issues. Establishment of nurseries (planted trees and growing saplings evident), reduced burning (grass is a valuable mulch), construction of improved wood stoves to reduce unsustainable energy demand, are rapidly expanding.

F. BIODIVERSITY: POLICY AND PROGRAM ISSUES

121. While the GEF Biodiversity Program has achieved a number of impressive results in the conservation and sustainable use of biological diversity, and benefit sharing, as documented above, the OPS 2 team also identified opportunities for the GEF to become more strategic, better targeted, more participatory, and more cost effective and thereby to improve its impact on the status of globally significant biodiversity. These include the following.

MEASURING IMPACT ON STATUS OF BIODIVERSITY

122. 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. There would obviously be cases where biodiversity impacts require a longer timescale, i.e., 10-15 years, to manifest themselves and therefore the lack of biodiversity impact indicators would not be immediately felt. The record of accomplishment is therefore told 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 initiatives being taken by the GEF Secretariat and by biodiversity assessment projects supported by the GEF such as the Millennium Ecosystem Assessment. 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

123. 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 terms of 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 impact on project success (cross-sectoral impacts);
- failure to address the root causes of biodiversity loss.

124. Each of these issues could be addressed through sustained attention to effective project design and supervision on the part of executing agencies and IAs. OPS2 country visits revealed instances of a lack of capacity on the part of IAs to track project progress and take timely action when necessary. In some cases there was ‘shuttle management’ from headquarters with inadequate in-country capacity in place 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 are adequately equipped in terms of project design and supervision capacity.

ROOT CAUSES OF BIODIVERSITY LOSS

125. 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, lack of adequate legal frameworks, institutional weaknesses and information barriers. There has been considerable discussion within GEF on this subject centering on what among the root causes is within the capacity and mandate of the GEF to address. Stakeholders at the country level met by the OPS 2 team emphasized that root causes of biodiversity loss are best addressed when GEF’s conservation objectives are rooted 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

126. GEF proposes to move beyond the current projects-based emphasis to a more strategic approach that systematically targets the countries' enabling environment so that biodiversity conservation can be addressed programmatically and mainstreamed in the wider development context. OPS 2 supports this approach but recognizes that this will imply 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 may want to engage a small number of 'pilot countries' to implement this more strategic programmatic approach to biodiversity conservation.

ENABLING ACTIVITIES

127. The GEF has followed Convention guidance to implement support for enabling activities that assist countries in developing their communications to the Convention including the National Biodiversity Strategies and Action Plans (NBSAP). As of June 30, 2000, the GEF had supported 185 enabling activities and clearing house mechanisms in the biodiversity focal area with a total allocation of US\$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 in integrating global biodiversity conservation priorities into national plans policies and legal frameworks. Further, OPS 2 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. GEF Secretariat and the Implementing Agencies need to take responsibility in catalyzing action to ensure that NBSAPs are documents for integrated biodiversity conservation planning.

OVERALL CONCLUSIONS

128. The GEF Biodiversity portfolio has grown from 56 projects and about US\$334 million in FY 92-94 to 395 projects and over US\$1.18 billion by FY 2000. The Program Status Review 2000 projects that of the total expected co-financing of about US\$2.01 billion committed, more than 50% comes from counterpart contributions by governments, 25% from bilateral and multi-lateral agencies and 15% from the Implementing Agencies own funds with the remaining 8% from NGOs and the private sector. These estimates of co-financing committed are creditable 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 is reiterated here, is that the potential for drawing on private sector support for biodiversity conservation initiatives remains largely untapped.

129. 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 in regard to the impact of all the efforts and initiatives (GEF supported, multi-lateral/bilateral aid agency supported, and country efforts) over the last decade will be clear only after 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, OPS 2 concludes that the GEF has laid the foundation for a concerted, science-based effort at stemming biodiversity loss. Marked advances have been made in building national, regional and global partnerships, in creating the information base and developing the tools, methodologies, human and institutional capacities to address the unsustainable exploitation of biodiversity. The consideration of livelihood alternatives in biodiversity projects is crucial for long-term conservation of biodiversity at local level and should be emphasized in all GEF projects.

130. OPS2 believes that the GEF can continue to make progress in improving the efficiency with which its biodiversity projects deliver global conservation benefits. The key is increasing emphasis on incorporating lessons learned from the considerable body of experience accumulated in GEF field projects, into the design and implementation of new projects, together with improved monitoring and evaluation processes. However, if GEF is to build on the technical achievements at the project level to create a concerted force for addressing the broader root causes for biodiversity loss, it will require substantial support from the Convention on Biological Diversity, from the implementing agencies, and from its member countries. For instance GEF's move towards more strategic programmatic approaches at the national, regional and global levels to secure broader gains in global environmental benefits 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, enjoin on its member countries the imperative for much stronger political commitment at the country level for biodiversity conservation. With technical support from the GEF (the GEF Secretariat and Implementing Agencies) countries could focus more strongly on improving the enabling environment for biodiversity conservation. Equally, the COP/CBD could, in formulating its guidance to GEF, take full account of the strategic approaches to biodiversity conservation currently being planned that move beyond the narrow focus on grant based project funding.

131. OPS2 acknowledges the efforts made by GEF in conserving biodiversity of some protected areas. However, a greater proportion of biodiversity resides outside protected areas and is facing more threats. The GEF should continue to broaden its conservation 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, namely, sustainable use and benefit sharing.

G. INTERNATIONAL WATERS: IMPACT AND RESULTS

132. The GEF portfolio in the international waters focal area comprises an investment of US\$329 million over the last nine years. OPS2 finds that GEF interventions have made, and continue to make, significant contributions to the implementation of existing global and regional agreements that address the protection and restoration of freshwater and marine ecosystems. OPS2 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 are supportive of many different international water-related conventions, protocols, agreements, including those related to multi-country 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.

133. 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. case of *the Pantanal Alto Paraguay River Basin* project), and acceptance of best practices. In the absence of regional agreements or water-body related treaties, these projects tends to strengthen the role of multi-country commissions, such as the Binational Commission (Bolivia and Argentina) of the Bermejo River.

134. 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. There are some cases of actual impacts identified at the level of stress reduction (East Asian Seas projects). 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 MANAGEMENT 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% yearly since 1994) has been accompanied by a 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 “model environmental city” by the government.

Xiamen was among six sites included under the 1992 GEF-World Bank Ship Waste Disposal project carried out through IMO. The main objectives were to reduce marine pollution in China and adjacent international waters through treatment facilities, waste tracking system, 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 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 Programme for the Prevention and Management of Marine Pollution in the East Asian Seas. The 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, bring together urban development and environment agencies, including those responsible for construction, transport, fishery, 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.”

135. Examining the results of the international waters portfolio, it is evident that the operational approach involving at the preparatory stage a science-based trans-boundary diagnostic analysis (TDA) prior to the elaboration of a strategic action program (SAP), has considerable merits. It has similarities to the process embedded in enabling activities in support of UNFCCC or CBD. Furthermore, the GEF is one of the 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 make substantial contributions to the in-country strengthening of institutions and to promote strategic alliances among institutions in different countries and enabling them with effective monitoring systems and improved management capacities.

136. 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 environment. Institutional strengthening at the national and regional level resulting partly or totally from GEF projects has proven extremely useful in addressing situations where immediate response was required to counteract disasters of natural or anthropogenic origin, such as the case of 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 phase two of an 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 to develop and improve the Danube Water Quality Model (DWQM). These initiatives also invested in public awareness creation, contributed to development of a knowledge base, information exchange, 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 the fact that Disaster Response Plan and International Alarm Centre 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 times would have been much slower. Also, the communication and coordination between agencies and countries would have been weak without the relations built through the GEF project.

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

138. GEF projects have been quite successful in providing replicable examples, such as in the case of the Regional Programme for the *Prevention and Management of Marine Pollution in the East Asian Seas*. Experiences emanating from this project have been reproduced in other coastal cities in China, as well as in various countries of the region. Also the OPS2 team found that the Bermejo River project and the Danube River project had components being replicated in other locations.

139. 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 Kenya, Tanzania and Uganda LVEMP, where protection of the lake and its basin impacts on the livelihoods of some 25 million people. In Jordan, ecotourism development related to the Azraq project has increased the annual numbers of visitors to the wetlands to 75,000 in 2000. The local population has benefited in terms of direct employment; from the re-establishment of old crafts (such as the production of handicrafts from reeds); and from increased income generated through tourism. Elsewhere, in Patagonia, Argentina, the GEF-supported initiative under the Patagonian Coastal Zone Management Program for Biodiversity Conservation has resulted in sustainable ecotourism developments in protected areas.

H. INTERNATIONAL WATERS: PROGRAM AND POLICY ISSUES

140. As described above, OPS2 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 OPs varies. However, an examination of the role and definition of OP8 and OP9 seems timely in view of the expansion of the GEF's mandate in addressing integrated ecosystem management (OP12) and conservation and sustainable use of biodiversity important to agriculture (OP13). Also, the potential incorporation of a new focal area in *Land Degradation* will require a thorough assessment, especially from the present perspective of the international waters operational strategy related issues. Along these same lines, the classes of priority contaminants to be targeted in international waters projects should be reconsidered in light of ongoing discussions to create an OP 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.

141. The TDA-SAP process is a valuable part of project preparation to build capacity, scientific and technical inputs, and stakeholder participation of the political authorities involved and other important institutional actors. In addition, this process is recognized as an essential instrument for gaining political, multi-country agreement to focus on trans-boundary 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 trans-boundary 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 OPS2 underscores this statement and finds that the science-based TDA should continue to be the basis for facilitating country agreements on actions (SAP) to remedy or prevent environmental threats to international waters.

142. In cases where the TDA-SAP process has 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 priorities in surrounding countries changed, they lost interest in the original objectives of the project; multi-country arrangements on water and environment began to lose political support. The project's implementation suffered accordingly.

143. Within the International Waters portfolio, important global benefits may be gained by adopting approaches that focus attention on larger environmental interconnected entities as advocated in the 'wider' basin approach to GEF interventions. The emerging integrated basin wide approach is aimed to establish linkages among all GEF projects that operate in the same hydrological system, (defined as freshwater catchments draining into a single recipient waterbody). This programmatic approach

¹⁵ Global Environmental Facility (1997) Study of the GEF Overall Performance I. Washington, D.C., p. 84.

should also be used to ensure and expand linkages among different focal areas of the GEF portfolio for a specific region.

144. OPS2 also finds that the complex nature of international waters projects requires from the GEFSEC a thorough assessment of the suitability of a given executing agency in order to guarantee good project management during the implementation phase, and project sustainability after GEF interventions have concluded. Where capable regional organizations exist, the GEF should delegate to them 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, as a general practice, undergo a mid-term evaluation.

145. There is also a need for the GEF to re-establish the interagency advisory task force to ensure coordination and effective development of international waters Focal area. An important issue that requires the attention of the GEF Secretariat relates to the need for increased involvement of the private sector and financing institutions in international waters projects. The OPS2 team believes that replication of successful approaches can be facilitated by the programmatic approach and knowledge sharing between projects and other stakeholders.

146. A final issue concerns the Global International Waters Assessment (GIWA). The key strategic importance of GIWA was that, in the absence of a global water convention, it was expected to provide an overall global framework for advice and guidance on priorities for investments and support services funded by the GEF. In view of the great expectations from this project and the past implementation delays it has been experiencing, the upcoming mid-term review should be seen as an opportunity to restructure the project to improve its performance.

I. LAND DEGRADATION: IMPACT AND RESULTS

147. Land degradation has been a crosscutting issue for the GEF, not a separate Focal Area, with components that address land degradation included under projects in the other Focal Areas. Since 1991 the GEF has allocated about US\$278 million to more than 100 projects with strong linkages to land degradation.

148. The Linkage Study does not identify 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.” OPS2 notes that the GEF does not yet have an operational definition of the global environmental benefits of alleviating land degradation.

149. OPS2 found 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, have emphasized the importance of inclusive stakeholder participation—not only in project design and implementation, but also in project evaluation.

150. While few projects have significantly alleviated land degradation, OPS2 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 deliver biodiversity, climate change, and international waters outcomes.

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

- arresting loss of woody vegetation, deforestation and unsustainable fuel wood use (for example the Senegal Sustainable and Participatory Energy Management project (PROGEDE));
- managing over-harvesting of flora and fauna (for example the East Africa Reducing Biodiversity Loss at Cross-Border Sites Project (RBLACBSP)); and
- reversing habitat conversion from cropping and pasture expansion, and urban development (for example the Romania Danube Delta Project (DDP)).

152. With the benefit of field visits and consultations with stakeholders in more than 10 international waters projects, OPS2 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 (LVEMP)). The TDA-SAP tools appear to be especially effective in developing enabling policy environments for combating 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 (DRBPRP)).

153. In Country Visits, OPS2 found synergy between prevention and reduction of land degradation and biodiversity in arid and semi-arid environments (OP1). For example, the East Africa RBLACBSP has successfully addressed biodiversity conservation and 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 ha in Namanga Forest Reserve in Kenya and 2,015 ha in Longido Forest Reserve in Tanzania. Forest ecosystems have been surveyed, and land management plans have been prepared and are now used sustainably by the neighboring communities.

154. 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). Community Environment Committees in Kenya (Namanga,

Maili Tisa and Ormani Kavero) and Tanzania (Longido) are elected from women and men attending a community meeting (*baraza*). In addition to improved resource security, the major impact on communities to date is increased awareness of forest values and better understanding of causes of degradation and opportunities for reversing the trend.

155. OPS2 Country Visits confirmed that arid and semi-arid environments provided the best synergy between land degradation and biodiversity—as illustrated by the examples from Senegal, Tanzania and Kenya outlined here.

156. However, OPS2 found that land degradation activities in GEF projects lacked innovative approaches to both policy and technological components—with most projects visited by OPS2 relying on old technologies and approaches. For example, the 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.

157. OPS2 also found that International Waters projects have effectively linked components addressing land degradation into both TDA-SAP and project implementation activities.

158. The TDA-SAP tools appear to be especially effective in developing enabling policy environments for combating land degradation. Moreover, 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).

159. OPS2 also found projects that demonstrated synergy between the prevention and reduction of land degradation on the one hand, and biodiversity conservation on the other hand, especially in arid and semi-arid environments.

160. OPS2 country visits confirmed that land degradation issues tend to be addressed more directly in projects with a people/land management focus and active participation of local communities. This is consistent with the CCD emphasis on the important role that civil society plays in implementing activities to prevent and reduce land degradation. For example, OPS2 visits verified that the Senegal PROGEDE 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 two years of participatory planning, 1.3 million hectares of forest inventories have been completed and forest management plans are prepared for 300,000ha of forest. In addition, community forest management agreements are signed with local communities (see Box 3.14.)

Box 3.14 CONSERVING BIODIVERSITY AND COMBATING LAND DEGRADATION IN SENEGAL

The Sustainable and Participatory Energy Management Project (PROGEDE) commenced operations in Senegal during 1998. The US\$20m project aims to address household energy supply and demand as well as building capacity in village, regional and national institutions. However, the project achieves this by addressing forest biodiversity and land degradation—the priority needs identified by local communities.

Project activities focus on sustainable management of the forest around Tambacounda and Kolda—25% of the remaining forest ecosystems in southern Senegal. These forests are traditional sources of charcoal for Dakar, some 700km 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 to 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 are completed and forest management plans are prepared for 300,000ha of forest. In addition, community forest management agreements are signed with local communities in Thiewal, Netteboulou, Gardi and Missirah. For example, 19 villages manage the 15,500ha Netteboulou Community Forest and 41 villages manage the 62,000ha Missirah-Kothiary Community Forest. In the third year, village men and women started implementing these plans with support from project staff living in villages and based regionally at Tambacounda and Kolda. They 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—with a doubling of carbonisation yield. Says the President of the Sourouyel village committee “our new property rights and ability to control charcoal licensing in our forest, gives us the incentive to adopt the more efficient charcoal system”. 15% of income generated from the charcoal is used by the village committee for 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 tonnes of charcoal was produced from dead wood in Netteboulou Community Forest. At the same time more than 140km of fire breaks were established.

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 emphasised the importance of income generating activities to address the causes of biodiversity decline. “We have helped villagers establish small vegetable gardens, bee keeping 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

161. In May 2001 the GEF Council agreed that designating land degradation as a GEF focal area is the best option for enhancing GEF support for the successful implementation of activities under the UN Convention to Combat Desertification (CCD), though the GEF has not yet been designated a financial mechanism under the CCD. This development

raises several issues for the GEF, which currently addresses land degradation through other focal areas.

162. The existing GEF focal areas result in projects with land degradation components that tend to focus more on biophysical symptoms than on improving land management and developing sustainable use options for natural resources management. In addition, 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 under a land degradation focal area.

163. OPS2 finds that creation of an enabling environment is central to achieving sustainable land management outcomes, since policy failures are often a root cause of land degradation and livelihood insecurity. In such circumstances, further investment in natural resource management is unrealistic in the absence of supportive policy and institutional frameworks at local and national levels.

164. The GEF should use lessons learned from existing focal areas to identify where it can add value as an investor in activities to combat land degradation and to prepare guidelines for identification of global environmental benefits and implementation of a strategic GEF response to the challenges of land degradation. The scale of GEF investment in alleviating land degradation is small—US\$278 million¹⁶ from GEF during the past decade compared with US\$562 million reported by OECD to have come from official development assistance in 1998 alone.¹⁷ Although the ODA investment in sectors targeting land degradation dwarfs GEF investment, it only represented 1.8% of total bilateral ODA in 1998. There is clearly an opportunity for the GEF to add value by targeting its resources to complement activities aimed at global environmental benefits along with the existing ODA investment in the developmental aspects of land degradation. There is also an opportunity for the GEF to add value by supporting measures that build capacity to understand and deliver global environmental benefits in activities to combat land degradation.

165. The GEF Secretariat should prepare clear guidance on global environmental benefits and incremental costs associated with activities to combat land degradation to support identification and preparation of new projects and to attract co-financing for such activities. It should also review references to land degradation in existing OPs, so that there is no confusion over where and how the GEF invests in activities that combat land degradation.

166. The effectiveness of the TDA-SAP tools for developing such enabling policy in the international waters focal area warrants testing of these tools in the proposed land degradation focal area. These components should be prepared and presented as an investment portfolio for delivering global environmental benefits and sustainable development from combating land degradation.

¹⁶ Berry, L. and Olson, J. (2001) GEF Land Degradation Linkages Study. Working Paper 6. GEF, Washington.

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

167. 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 National Action Programs developed under the CCD.

168. 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

169. 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 29 January, 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.

170. In addition to expanding the Biodiversity focal area into the issue of biosafety, the GEF is now promoting the concept of Agrobiodiversity through the implementation of OP13. In essence, this OP protects the wild relatives of crops by ensuring the protection of the habitats where they occur through community based incentives which seek to improve the livelihoods of local communities.

171. Furthermore, the GEF has now expanded to include OP12 on 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. A shift to an integrated approach is considered advantageous compared with a single sector approach because it holds the promise of addressing interrelated issues in more than one GEF Focal Areas. The OP 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. The GEF’s contribution of nearly US\$17 million leveraged an additional US\$38.5 million in expected co-financing.

172. However, GEF should exercise some caution in getting involved in multi-convention OPs. While having some appeal in the sense of being provided opportunities for a more holistic approach, it should be kept in mind that specific convention-related objectives should be kept firmly in mind when setting project objectives. The long history of implementation experience from various types of integrated and multi-purpose projects clearly show very high ‘mortality rates’. GEF would be well advised to avoid falling into the trap of many current international organizations which seem to be unable to focus on operational priorities and appear to succumb to the ill-advised temptations to support project designs which serve many objectives indiscriminately and ineffectually.

173. In climate change, the focal area recently added a fourth OP to promote the long-term shift towards low emissions and sustainable transport forms. Specifically, this OP 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, and disengagement from unsustainable measures common in many parts of the world. There are 6 regular and 2 MSPs projects in this OP.

174. The GEF Council, at its 16th session in November 2000, encouraged the Implementing and Executing Agencies and the GEF Secretariat to facilitate early action on the implementation of the Stockholm Convention (POPs). Article 14 of the Convention designates the Global Environment Facility (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, at its 16th Session in November 2000, 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:

- development and strengthening of capacity aimed at enabling the recipient country to fulfill its obligations under the POPs Convention. These country-specific *enabling activities* will be eligible for full funding of agreed costs; and
- on-the-ground interventions aimed at implementing 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.

175. OPS2 comes to the following conclusions with regard to these new Focal Areas and the associated OPs:

- As the only multi-convention financial facility, it is appropriate for GEF to include new specific 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. If new activities need to be introduced and prioritized, and if no new resources are being made available, then conventions should be encouraged to identify which of

the current convention-related activities no longer have the same priority and therefore can be discontinued or reduced.

- With respect to entirely new conventions they should be welcomed, provided additional resources are provided.

L. OVERALL RESULTS

176. As cautioned in the introduction, halting or turning around the conditions that are causing severe deterioration in the global environmental conditions will involve far more resources than the GEF has available. It will also take more time.

177. We find that the GEF has reported accurately and credibly on the results from completed and on-going projects. Through our investigations in project visits and our country and sub-regional consultations, the viewpoints of country officials and other stakeholders were not materially different from the positive project achievements which emerge through the project reporting system in the GEF system. These reports seem credible and professional.

178. In our view the GEF has already produced a broad range of results which begin to demonstrate significant positive impact and which have laid the groundwork and set the stage for even more substantial results in the future. Broader impact should also be expected through other sources of funding for the replication of GEF project activities.

179. While resources alone cannot do this task alone, they can provide catalytic stimuli for both public and private sectors actors to enter this arena. It is equally important to have the political and institutional commitments, particularly at the national and local levels, to make progress in that direction. Resources associated with international environmental agreements can provide powerful boosts in galvanizing political and popular support for alleviating deteriorating environmental conditions. This is particularly true if such action is associated with activities which meet the urgent development aspirations of governments and people in GEF-eligible countries.

180. The OPS2 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 which 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.

Recommendations

181. OPS2 recommends that the GEF should review and rationalize the objectives and number of OPs in the light of lessons learned, and in order to ensure consistency and a clearly understood focus on delivering global environmental benefits. Furthermore, to ensure quality outcomes that focus on global environmental benefits, OPS2 recommends that special attention be made under each Focal Area to make sure that scientific analysis is being continually used as a foundation for planning and implementing new projects. The science-based trans-boundary diagnostic analysis (TDA) should continue to be the basis for facilitating regional agreements on actions to address threats to international waters; and for the development of strategic action programs (SAP). OPS2 further recommends the extension of the TDA-SAP approach to land degradation, should it become a new focal area.

IV. GEF RELATIONS WITH THE CONVENTIONS

182. 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. As it turned out, 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 to the Earth Summit.

183. The GEF has become the only multi-convention financing facility in existence and it is now the major source of funding specifically supporting international environmental agreements.

184. GEF's Operational Principles state that in functioning 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, their COPs.

185. Has the guidance received from the Conventions been effective? Has GEF been able to incorporate this guidance into its Operational Programs? OPS2 tried to explore these and other related questions.

186. Overall, OPS2 finds that the GEF has been responsive to the UNFCCC and the CBD. The Operational Strategy and Programs, by and large, reflect the objectives and priorities of the Conventions. OPS2 identified some confusion amongst the IAs and partner countries in the definition of global environmental benefits and the role of GEF in financing activities that primarily addressed 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 be a reflection of the fact that the Convention itself has not yet been able to provide clear and precise guidance on these matters to the GEF.

187. The response of the GEF to the Convention directives for supporting countries in meeting their reporting requirements has been satisfactory and pragmatic. The GEF has been able to support 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 being reflected in the current GEF initiative to support countries to undertake assessments on capacity development to meet their obligations and contributions to the Conventions.

188. 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, it is important to get clarity on the decisions of the COPs to the Conventions. The consistency of guidance from the

Conventions must be such that it can be translated into meaningful action in support of Convention objectives.

189. As an example, the GEF has followed guidance from the Biodiversity Convention to implement support for enabling activities which assist countries in developing their Biodiversity Country Studies, National Reports, National Biodiversity Strategies and Action Plans (NBSAPs). As of June 30, 2000, the GEF had supported 185 enabling activities and clearing house mechanisms (CHMs) in the biodiversity focal area with a total allocation of US\$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 now been made to establish better guidelines and criteria.

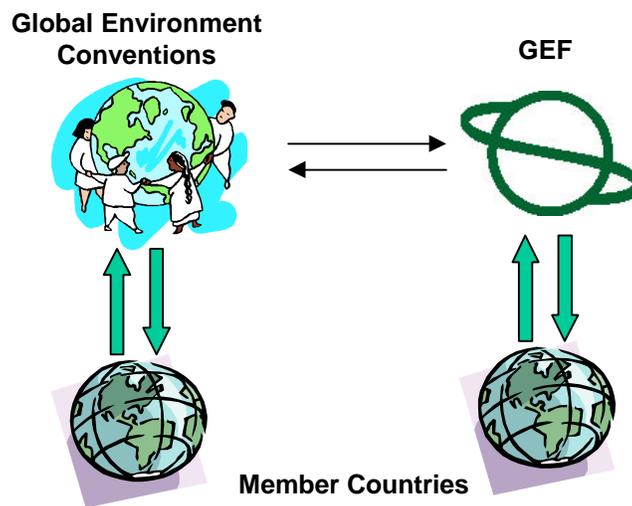
190. In response to guidance given by the COP for enabling activities in the climate change focal area, guidelines and criteria were produced in 1996 by the GEF Secretariat in close collaboration with the Convention Secretariat and the IAs. However, the evaluation report notes that there was no prior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

191. OPS2 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 being responsive, 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 view 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.

192. GEF 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 OPS2 points to the importance of GEF in assisting 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.

193. Thus the current system for reporting on results from GEF funded activities in each recipient member country is based on 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.

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



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

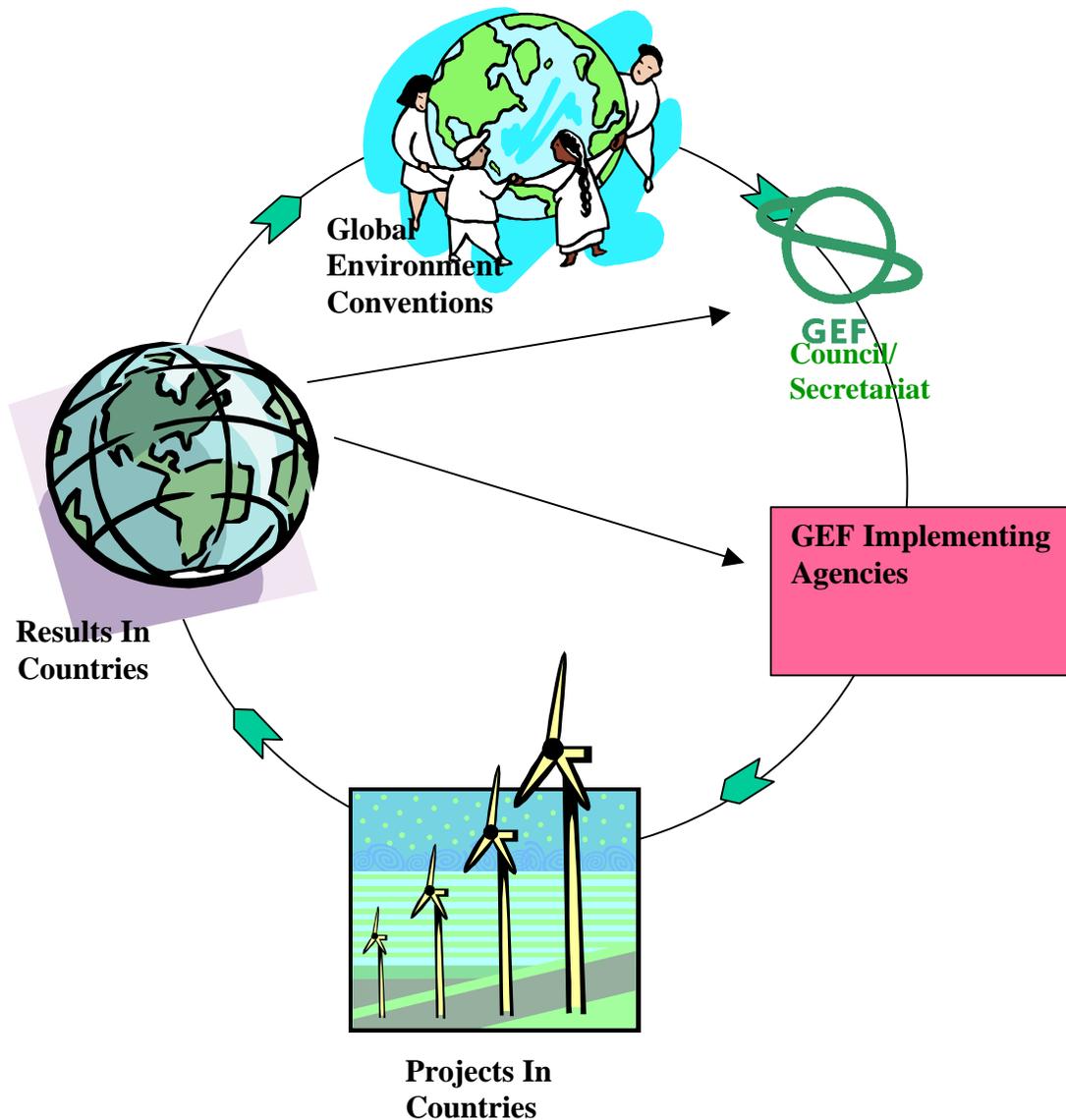
196. At the same time, GEF donor countries have made the point that it would be helpful for GEF replenishment purposes to receive a clearer recognition in the COPs from recipient countries themselves as to whether GEF had in fact funded activities of interest and usefulness to their participation in the related conventions. While not a convention requirement, there is ample scope for including on a voluntary basis such reporting to the conventions by member countries. As the GEF portfolio matures and as project outcomes are beginning to appear from a growing number of completed projects there will be increasing opportunities to such reporting in the years ahead.

197. OPS2 tried to explore whether member countries are beginning to acknowledge these outcomes directly to the convention—to reflect the actual in-country results arising from project approvals which take into account guidance on programs and priorities provided by the COPs.

198. 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, but also directly by member countries in their country statements and reporting to each of the conventions, as follows:

Possible Cycle of Convention

GUIDANCE TO COUNTRY RESULTS



199. There seems to be wide differences in opinion about whether national reporting to the Conventions should systematically include results achieved from other categories of GEF projects, such as full size and medium size projects.

200. 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 which are consistent with

Convention objectives and relevant to national sustainable development policies and programs.

201. During several OPS2 country visits it was brought to our attention that country statements made to GEF through 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 it was explained to us that the reason for this lack of consistency was that the country considered COPs as largely covering discussions and international negotiations of a political nature, while GEF dealt with substantive technical, developmental, and financial matters. Our overall impression was that most countries consider it appropriate to reflect GEF achievements in its COP statements as well as in its national reporting. This would lead one to expect more attention by member governments to this matter, which would contribute to stronger partnerships between countries and the GEF.

Recommendations

202. OPS2 recommends that in its dialogue with each convention that it supports, the GEF should regularly seek to update and clarify priorities in light of each new round of guidance given to it.

203. OPS2 recommends that the GEF adopt a cautious approach to funding any new rounds of Enabling Activities if requested by the conventions, until a stocktaking has been made of the full potential use of existing GEF support to the global conventions. This should include assessing their contribution to achieving global environmental benefits and their use of instruments such as national reports, national communications, and national action programs as strategic frameworks for GEF programming and project preparation. In partnership with IAs and EAs, the GEF Secretariat should be prepared to work collaboratively with a few countries which have been or are testing this approach; assess experience gained; and disseminate results and lessons learned before any new rounds of funding for future Enabling Activities are considered by the GEF Council. In this connection OPS2 also recommends that the GEF Council explore the scope for asking each country report directly to the relevant convention on the GEF support provided to the country.

V. THE GEF AT COUNTRY LEVEL

204. A key operational principle of GEF 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.

205. Country ownership of GEF projects is considered to be strongly instrumental in the integration of the global environmental agenda with country development policies. The many positive results noted earlier among completed and on-going GEF projects would not have been possible without considerable country ownership in the development and implementation of these GEF-funded activities; and unless they were perceived to be consistent with country priorities.

206. The more GEF activities become country-driven, the more opportunities will exist 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 to create national and local environmental and developmental benefits. OPS2 found that global environmental activities funded by the GEF need to be operationalized in a broader sustainable development context, not least because of the need for national and local support for their continuation beyond the project timeline and for further replication of project results.

GEF FOCAL POINTS

207. Countries have designated two types of GEF country focal points—Political and Operational. Political Focal Points have responsibility for the GEF governance issues and policies, while the Operational Focal Points have responsibility 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.

208. It is obviously important for the GEF to make sure that its operational policies and procedures are clearly understood by national policy-makers and project planners. To ensure that projects achieve positive global environmental results and impacts and at the same time are strongly supporting country development policies, GEF needs to help effective Operational Focal Points.

209. Each of the IAs have important operational contact points with partner governments. Clearly these contact points are very important to ensure that GEF project activities are set within a framework of a country’s 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, considered in the context of its membership in international environmental conventions and in other related agreements, and receive the support needed to achieve results that have positive global environmental impact.

210. In countries visited by OPS2 strong appreciation was expressed that GEF projects had helped to bring 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, the GEF financing of Enabling Activities has helped to build local capacity for the purpose of meeting their obligation under the global environmental conventions. A main emphasis has been to assist countries prepare their national reports and communications to the Conventions and associated action plans.

211. OPS2 team found that countries especially appreciated the fact that GEF funding for Enabling Activities had an immediate and significant impact on raising the quality of reporting to the conventions. 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 by explaining how efforts to achieve global environmental improvements can also have direct local and national benefits. Within the international waters portfolio, the TDA carried out as a basis for developing SAP is being regarded as a mechanism to enable the countries to address common multi-country environmental problems. This process was considered very valuable for building capacity (scientific, technical and institutional) and enhancing stakeholders' participation at various levels. In particular, technical assistance included in GEF projects has facilitated in-country capacity building.

212. Several countries covered by multi-country 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. Whether this was due to little direct contact between the Member and the Operational Focal Points in their constituency, or, whether problems arose because communications were made through its Political Focal Points, who in turn failed to communicate effectively with their Operational Focal Points, was not clear. In certain instances both the Political and the Operational Focal Points expressed dissatisfaction with relations and communications with the GEF Council Member representing their constituency.

213. The importance of the role of the Operational Focal Points has become increasingly evident in recent years with larger GEF portfolios and with new trends towards country programming of GEF activities. Their key role in the GEF system is exemplified by their being listed in a separate annex in the GEF Annual Report and on the GEF website. The current list of Operational Focal Points in the GEF Annual Report 2000, 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.*

214. Four years ago 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

215. In several countries visited by the OPS2 team, there were complaints relating to 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. Links between the Political and Operational Focal points within most countries also 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.

216. Operational Focal Points most often felt that they had only a limited real responsibility, mainly for signing the project endorsement letter. However, most 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 lack of information-related support both from the GEF Secretariat and from the IAs. It is not fair to assume that Operational Focal Points can meet their information needs adequately by accessing the GEF web page. The GEF Council and Secretariat needs to give urgent attention to the possibility of a more proactive role in information access and dissemination, directed at the GEF Operational Focal Points.

217. 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 shows that clearance by the country Operational Focal Point is often among the significant factors causing unexpected delays in GEF project processing.

218. OPS1 found that national coordination on processing global and regional projects was weak. The country visits carried out by OPS2 confirmed that there continues to be significant problems in this regard. Some Operational Focal Points felt pressure was exerted on them by the IAs 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.

219. OPS2 met with many country officials and other stakeholders expressing strongly-held views to the effect that the GEF should have a separate institutional structure and thereby should have a stronger international profile. While appreciating the many positive benefits from the GEF including credible and operationally experienced IAs, the views expressed pointed to the strategic importance of the GEF having a distinct role of ascertaining guidance provided by the conventions are leading to program and project development which bring out global environmental benefits.

IMPROVING THE OPERATIONAL FOCAL POINT SYSTEM

220. Many of the Operational Focal Points met by the OPS2 team 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 for improved technical capacity for carrying out GEF program coordination at the national and local levels. Periodic sub-regional workshops were also suggested, whereby an Operational Focal Point would be able to meet with counterparts from neighboring countries to exchange experiences on GEF issues.

221. There are clearly difficulties with the assumption that Operational Focal Points could meet their information needs adequately by accessing the GEF web page. The GEF Secretariat needs to be far more proactive in information dissemination.

222. In addition, Operational Focal Points can take a lead role in portfolio reviews at the country level, but this will require improved information flows from the IAs on project development, implementation and evaluation of national, regional and global projects. Better information flows can be facilitated between the Operational Focal Point and in-country representatives (resident offices) of the Implementing and Executing Agencies. With the addition of additional Executing Agencies, it will become even more important to ensure that the Operational Focal Points are working effectively. The present system of nominating *country contact points with each Implementing Agency in order to provide full information to the Operational Focal Point on the status of all its projects in the GEF country portfolio should be extended to the new Executing Agencies.*

223. The GEF Secretariat issues a six-monthly global Operational Status report. It should also make available at the country level, based on inputs from each IA and EA, a similar national status report on all GEF activities in that country. The IAs provide regular, semi-annual status reports to the GEF Secretariat. This should be dovetailed with a parallel status reporting to each Operational Focal Point. *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 available in the language(s) appropriate for effective in-country communication on GEF activities. The GEF Secretariat should provide technical support services for such reporting.*

224. 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 its functions and OPs and procedures. There seems to be broad consensus that the GEF should consider holding repeat workshops at regular intervals in each country.

225. In 1999 the GEF council approved a support program to country Focal Points and to constituency meetings. The main objective is to provide in-kind services to facilitate

the administrative functions of these Focal Points, mainly approved for country Operational Focal Points. The estimated budget support for a three-year assistance program, planned for about 100 countries, came to a total of US\$639,000 per year. As originally planned, there would be a range between US\$2,000 and US\$8,000 for annual services to each country Focal Point (after an initial start-up assistance for internet connections of US\$500) and up to a maximum of US\$2,000 for constituency coordination services. Each country would make its own choice as to which local IA field office would provide these services.

226. 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 have 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 US\$8,000 annually. The program will have commitment authority until the end of 2002. Disbursements were about US\$763,000 in May 2001, which seem to be on schedule.

227. During its country visits OPS2 found that the officials concerned expressed appreciation for the purpose of this assistance program but also voiced many complaints about what they perceived as its cumbersome procedures. OPS2 found that:

- it is important to focus the Focal Point part of this program very clearly towards the Operational Focal Points;
- procedures should allow for three year programs being approved in each country’;
- the IA chosen by the country should make sure that simplified procedures are available for obtaining these in-kind services; and that
- it seemed that the implementation of the constituency part of this support program was also hampered by perceived procedural problems.

228. OPS2 found that the Enabling Activities, the Country Dialogue Workshops, and the Assistance Program for the country Operational Focal Points had many positive features, which allowed 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 exposed to an evaluation when they are completed at the end of 2002. Despite these country support activities later in this chapter. OPS2 will consider the need for additional support measures to empower an improved functioning of the country Operational Focal Points, which are still weak links in the GEF operations.

229. 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 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 portfolio review 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.

230. A modest and carefully targeted amount of specially earmarked funding set aside for in-country portfolio reviews at regular intervals, as appropriate, could provide strategically important contributions to GEF operations and for improved 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.

231. 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, in collaboration with 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 included under this special funding allocation.

232. 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 OPS2, rest with the GEF Secretariat.

233. 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.

234. OPS2 country visits reinforced the understanding that successful preparation of projects is only feasible 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 function as the main facilitator for such coordination.

235. The findings from 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

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;
- Sub-regional coordination and regional projects; and
- Dealing with 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 drivenness – including 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

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 inter-ministerial GEF coordination committees that include the ministries of environment and finance, as well as other ministries, agencies and other institutions.

236. 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 own focal points for the different international Conventions. Since the main rationale for the GEF is its relationship to the global environmental Conventions, it stands to reason that the results of its program funding need to be ultimately channeled back to the Conventions through the reporting on the results by member countries. In consequence, 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 which the GEF is serving. This would ensure that the national

reporting to the Conventions is complete in all respects and, most importantly, would acknowledge positive outcomes from GEF investments and where appropriate highlight failures and weaknesses. Indeed the Conventions that GEF is serving should broaden the reporting requirements from member countries to specifically incorporate such complete reporting.

237. Three main conclusions flow from our findings in this regard:

- 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 public and private sector agencies involved in the implementation of GEF projects, and also local project managers and field staff, as well as project managers and technical staff from global and regional projects which have an influence and impact on country priorities, strategies and national programs.

238. The GEF Secretariat needs to establish staffing capacity in the form of 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

239. OPS2 recommends that the GEF continue ongoing efforts to support capacity development of Operational Focal Points, the national GEF coordinating structures and the effective Country Dialogue Workshops. Furthermore, OPS2 recommends that the GEF Secretariat collaborate with existing IA and EA country efforts to empower these Operational Focal Points with improved information services about the status of project in the pipeline and under implementation, and that the GEF Council approve a special fund to be administered by the GEF Secretariat and executed in partnership with the national Operational Focal Points and the IAs/EAs for the purpose of organizing in-country GEF portfolio management workshops. Besides public and private sector stakeholders in on-going projects, these 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.

VI. PROGRAM AND POLICY ISSUES AND FINDINGS

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

A. GLOBAL BENEFITS AND INCREMENTAL COSTS

241. OPS2 found that many country partners, some IA staff and other GEF stakeholders were unfamiliar with both the economic concepts and GEF Operational Strategy relating to the incremental costs of delivering global environmental benefits.

242. 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.

243. 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’, specifically 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), which was supposed to sort out the concept of incremental costs linked to global environmental benefits. Various workshops and studies have been undertaken. OPS2 was informed that funding for this exercise has not been exhausted and that it is not being considered completed.

244. OPS2 found that 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 facilitating leverage of co-financing for GEF projects.

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

246. Country participants in OPS2 did not question the principle of GEF financing agreed incremental costs associated with meeting obligations of the Conventions. Rather they raised issues about how this has been made operational, and how it should be, in

GEF projects. They also questioned the priority of global environmental benefits over national environmental benefits. While some lack of clarity on these issues may have enabled operational flexibility and more freedom for case-by-case interpretation appropriate in the early trial-and-error days of the GEF, it is not appropriate today. Better operational guidance and improved communication and greater consistency in application is needed.

247. OPS2 concludes that:

- The GEF Secretariat needs to give high priority to operational guidance materials which clearly communicate how global benefits are defined at project design and also how they are measurable at the time of project completion.
- In order to derive an understandable operational definition for incremental costs we do not find it necessary to undertake more research or conduct highly technical assessments of the complexities which 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 which can provide improved understanding and consistent application of this concept by country officials and many other project stakeholders.
- With the principle enshrined in both the Instrument and the conventions (CBD, UNFCCC and CCD) that incremental costs are agreed between country partners and the GEF and that they relate to global environmental benefits, the starting point for addressing the issues identified by country partners is a mechanism for reaching agreement between country partners and the GEF. The most appropriate approach is use of a transparent negotiation framework capable of being consistently applied.
- Progress on these points will facilitate a host of other improvements in GEF, such as operational policies, country participation and country driven-ness, reducing processing complexities and boosting opportunities for co-financing and GEF partnerships.

248. 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 cost. If the negotiation processes is effective, the cost sharing arrangement would be arrived at through pragmatic approximation rather than detailed calculation. There is an opportunity for the GEF to support development of a practical tool that aids identification of global environmental benefits and negotiation of cost sharing arrangements between the IAs, the GEF, country partners and other financiers for use by development practitioners. This could be done by an Inter-agency Task Force convened by the GEF Secretariat involving a small group of resource economists and focal area practitioners representing the GEF Secretariat, the STAP, the IAs, and recipient countries.

249. The resulting practical tool could be tested in 5 to 10 countries over a two year period before being reviewed and revised by the same Working Group. The revised practical tool should then be widely promoted and applied for GEF activities.

250. 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 project document is presented for inclusion in the GEF Work Program, its incremental costs framework should be used as the foundation for technical negotiations between 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

251. 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 inter-agency task force to link global environmental benefits and incremental costs in a negotiating framework for use between partner countries and the GEF in order to reach agreement on incremental costs. This should be tested in a few countries, and the experience gained used for its revision 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

252. From the outset it was considered important that the GEF becomes an effective facility for generating funding from other sources in order to meet global environmental objectives. Its Operational Strategy includes the principle of “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 efforts made so far to include activities aimed at achieving global environmental benefits in the regular operational programs of the Implementing Agencies (so-called ‘mainstreaming’), the degree to which the Implementing Agencies have been successful in getting co-financing from other sources, and other efforts to replicate results from GEF projects.

MAINSTREAMING GLOBAL ENVIRONMENTAL OBJECTIVES

253. 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). All three Implementing Agencies have made efforts to mainstream global environmental issues. Annex 7 provides more details on these efforts. The following information is extracted from documentation presented in that Annex.

254. The recent Environment Strategy of the World Bank is centered around three major objectives—learning from efforts to integrate environment and development; adapting its commitment to poverty reduction through bottom-up, client-focused approaches, and mainstreaming environment into all Bank activities. Within the latter it seeks to mainstream global environmental objectives in the country dialogues, including the Country Assistance Strategies. The Bank accepts the mandate to help client countries address the objectives of the international environmental conventions and their associate protocols. Recognizing potential synergies and complementarities, it will seek interventions which simultaneously bring about global benefits as well as local benefits to developing countries. Going beyond the complementary between national and global benefits will require compensations from the global community and its financing mechanisms, including GEF.

255. The UNDP prepared an action plan in 1999 to promote measures which 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, while the focus of the GEF is on country-driven activities primarily with global benefit. 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—to find strategic nexus between national development priorities where trade-offs can be pragmatically addressed, and, to capitalize on potential win-win opportunities that can be mutually supported by UNDP, the GEF and the countries. The action plan specifically focuses on specific outputs which include having global environmental objectives reflected in UNDP national program documents; proposing additional performance criteria for promoting global environmental convention objectives for funding allocations to national programs; undertaking a 10 country pilot scheme under which there will be complementary programming to identify projects with UNDP-managed resources as leveraged for co-financing for planned GEF supported interventions; by 2004 have half of UNDP national program documents include global environmental objectives; and feed systematically the results of completed Biodiversity Strategy and Action Plans, Strategic Action Plans and National Communications; and a project tracking system identifying projects contributing to the global environmental conventions objectives.

256. UNEP has stated that it is fully committed to realizing its mandate in the GEF based on its demonstrated comparative advantage and strengthen programmatic linkages with the UNEP program of work. Indicators proposed for defining additionality include applying GEF funds for scaling up and replicating UNEP activities and adding complimentary 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. Integrating GEF activities within the UNDP means the objectives of the GEF should be an integral part of internal decision-making on UNEP's institutional priorities and programs, by way of ensuring that it takes place at the highest levels in UNEP, enhanced information and training for UNEP staff, and demonstrating associated financing or co-financing while recognizing that UNEP, unlike the World Bank and UNDP is not a funding agency. An action plan for specific measures to achieve such complementarity has been operational since 1999.

257. OPS2 found that serious attempts have been made in the three IAs towards mainstreaming *global* environmental issues in their operational programs. This is not an easy task. 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 into national development strategies, programs, and projects. These are major on-going efforts which will have to be pursued for some time to come and which will require continuing technical and policy advice before these issues can be considered to have 'taken hold' in each country and become an integral part of the desired sustainable development operational focus.

258. The presence of the GEF has had the effect of expanding the horizon of these country processes by bringing global environment issues to the attention of national policy makers and to informed public opinion. As noted above, both the UNDP and the 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 which may have substantial long term effects. However, as yet it is unclear the extent to which one can expect countries to be willing to include co-funding for GEF projects in discussion about funding allocations within their country programming frameworks with these agencies. Possibilities will exist in cases where there are strong win-win scenarios, where GEF-funded projects produce clear global environment benefits in tandem with substantial nationally prioritized development and environment benefits.

CO-FINANCING

259. Co-financing of GEF projects is critical since it not only brings in additional resources to the goal of providing global environmental benefits, but additional financing also helps ensure that there are links between activities providing sustainable development benefits and global environmental benefits.

260. Chapter 3 discussed the co-financing in the program studies of the focal areas. The cohort of projects under examination in the program studies comprise some which

have completed implementation and others which have progressed along well under implementation.

261. This section looks at the co-financing issues across the portfolio at projects that have completed implementation, and also annual performances. Co-financing can be measured at two levels: (i) the ratio of non-GEF resources (including IA own resources) to total project costs; and (ii) the ratio of the IA own resources to total project costs. The latter is an indicator of the extent of mainstreaming in the Implementing Agencies as it shows the commitment of IA resources.

262. OPS2 first examined co-financing among the 95 projects that were completed as of June 30, 2000, comparing the planned co-financing against actuals. The summary results in Tables 6.1 and 6.2 are based on data provided by the Implementing Agencies.

263. By and large, there has been very little change in co-financing between what was promised and what was achieved during project implementation. 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.

264. Analysis also shows that co-financing with resources of the Implementing Agencies is contained in a few projects – of the 95 projects, three projects (China Ship Waste Disposal, Mauritius Sugar Bio-energy, Philippines Leyte/Luzon Geothermal), all implemented through the World Bank, account for nearly all the IA resources actually committed.

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

	UNDP	UNEP	World Bank	TOTAL
Number of projects	46	12	37	95
Planned IA funding	0.00	1.07	344.6	345.67
Actual IA funding	1.50	1.08	198.68	201.26
Planned Other cofinancing	113.99	8.19	1409.09	1531.27
Actual Other cofinancing	125.19	7.72	1266.46	1399.37

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

	Biodiversity	Climate Change	International Waters	Multiple	Ozone	TOTAL
Number of Projects	44	28	15	2	6	95
Planned IA funding	4.82	325.30	15.55	0	0	345.67
Actual IA funding	1.93	183.80	15.53	0	0	201.26
Planned Other cofinancing	52.83	1326.57	118.51	12.24	21.11	1531.26
Actual Other cofinancing	63.75	1264.00	50.34	0.81	20.47	1399.37

265. OPS2 looked at co-financing issues from another perspective. Table 6.3 is a time-series of co-financing ratios among the IAs during the 10 years of the GEF, based on financing data in documents submitted for approval.

TABLE 6.3 CO-FINANCING RATIOS IN GEF PROJECTS, FISCAL YEARS 1991- 2001 (DATA TO BE VERIFIED PRIOR TO FINALIZATION OF REPORT)

Fiscal Years	UNEP		UNDP		World Bank	
	Total Co-financing ratio	IA co-financing ratio	Total Co-financing ratio	IA co-financing ratio	Total Co-financing ratio	IA co-financing ratio
1991	N/a	N/a	1.77	0	8.66	1.36
1992	1.26	0	1.49	0	5.93	1.75
1993	1.05	0	1.35	0	5.83	2.10
1994	1.25	0	1.42	0	N/a	N/a
1995	1.41	0	1.52	0	2.00	0.32
1996	1.21	0	1.48	0.02	4.85	0.30
1997	1.52	0.01	2.16	0.04	4.31	1.05
1998	1.43	0.00	2.39	0.18	7.29	1.49
1999	3.02	0.64	2.05	0.06	4.03	0.71
2000	2.17	0.09	2.20	0.05	5.95	1.58
2001	1.66	0.16	3.48	0.04	5.68	1.94

Source: Project Database at GEF Secretariat.

Total co-financing ratio: Total project cost/GEF contribution

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

266. The data clearly shows that the World Bank provides the largest leverage in co-financing by either of the measures. However, it is worth noting that the UNDP performance on total co-financing has improved during recent years. Over the last five years the level of UNEP co-financing has improved in comparison with earlier years.

267. OPS2 considers the GEF's performance on co-financing surprisingly modest, particularly since only a few projects account for most of the co-financing generated under the completed projects. Co-financing commitments and efforts will need to be

systematically assessed and monitored, such as in all project completion, termination and project reports, as well as in the annual interagency PIR process. As the GEF is now entering a new phase of 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.

Recommendation

268. OPS2 notes efforts made to mainstream global environmental objectives in the operational programs of the Implementing Agencies and recommends that each IA and each new Executing Agency continue to be held responsible for generating additional resources to leverage GEF resources. The emphasis should be on the total amount of additional funding, including co-financing, considered to constitute a reasonable cost-sharing arrangement for each project, rather than solely focusing on the quantity of co-financing forthcoming from an agency's own operational programs and government contributions. Co-financing should be monitored and assessed annually through the interagency PIR process.

REPLICATION

269. Even if mainstreaming and co-financing should make only modest progress, there is still the potential impact could be felt from the replication of results from GEF-funded projects under other financial and operational modalities. It is difficult to ascertain such replication since it is not being systematically monitored in the GEF. However, there is some encouraging evidence from several completed and on-going projects. It should also be kept in mind that since completed projects are still few, it will take time before one can begin to monitor and assess replication effects.

270. 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 Trust Funds initiated in the Uganda Mgahinga and Bwindi projects have produced sustainable funding for GEF biodiversity projects, especially in developing countries where budget allocations for conservation is very low. In the Jordan Dana project, an integrated approach to and management system developed for the reserve have been applied to all five other protected areas in the country. The positive lessons from the Southern Africa SABONET in capacity development for taxonomy has been replicated in East Africa where the BOZONET project has been developed and a similar initiative is being replicated by international NGOs and organizations, such as the Nature Conservancy, WWF, IUCN, Secretariat of the Pacific Commission, and World Bank (Samoa MPA). Replication has also been witnessed at the local level, for example, in East Africa LVEMP and RBLACBSP, and in-situ biodiversity conservation in Lebanon. In Samoa, the MPA project has raised extensive community support and some villages are copying this project, establishing their own MPAs and developing their own regulations—good examples of replication of GEF activities at the local level.

271. The OPS2 team believes that replication of successful approaches should be facilitated by the programmatic approach 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 the main stakeholders (e.g. Bermejo river basin) and have potential for extensive replication.

272. In the absence of any strong evidence that mainstreaming, co-financing, and the replication of successful project results have made substantial progress, the focus on the private sector become even more strategically important for the future of the GEF.

C. ENGAGING THE PRIVATE SECTOR

273. OPS2 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 finds that building private sector capacity in specific sectors played an important role in achieving objectives and significant global environmental benefits throughout the ozone focal area projects. OPS2 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 cofunders, sources of advice and technical support, and partners in country-level policy dialogues 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.

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

275. Excess demand for funding is likely to become a continuing fact of life for the GEF. Yet OPS2 finds that opportunities to leverage GEF funds in ways that could mobilize potentially 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 the GEF has not pursued a rapid response facility proposed by the IFC. A key issue relates to the lack of the requisite financial skills in the GEF Secretariat and in some IAs and EAs to understand, create or manage approaches using financial intermediaries.

276. In the biodiversity portfolio, conservation efforts in production landscapes is 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 are very limited, representing a largely untapped opportunity. Promising efforts in eco-tourism and

agroforestry sectors should be encouraged, although OPS2 believes there are also important opportunities in mining and commercial forestry, and questions current guidelines banning projects in the latter sector. OPS2 believes that private sector involvement will also be equally critical in new GEF areas such as POPs and biosafety.

277. There are also concerns about “excess” subsidies or competition for scarce resources with government or NGO projects. Yet direct subsidies should be relatively rare; OPS2 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, use of non-grant modalities such as contingent financing and guarantees, bankable feasibility studies, and direct long-term partnerships, including equity investments. Experiments with many of these modalities now underway suggest their value. OPS2 also believes that private sector involvement and investment will enlarge the total pool of resources for GEF projects and further national development strategies. Expanded private sector involvement thus directly addresses the problem of excess demand.

278. 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, OPS2 believes that the GEF should accept these risks because they are outweighed by the potential global environmental benefits.

279. 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. Clear guidelines from the GEF Secretariat on new modalities should follow, as well as substantially increased GEF Secretariat staff expertise in relevant areas—perhaps obtained by temporary seconded staff from the private sector.

280. 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. OPS2 believes that it is important for the GEF to expand its efforts to influence these investments in ways that create global environmental benefits.

Recommendation

281. OPS2 recommends that the GEF place greater emphasis on sustainability and the potential for replication in project design and implementation, and that it measure project and program performance in this respect during evaluation. In particular, OPS2 recommends that the GEF should engage the private sector more effectively in all phases of the project cycle and create an enabling environment by developing more specific, market-oriented strategies and by expanding GEF operational modalities to enable timely interaction with the private sector.

D. PUBLIC INVOLVEMENT AND PARTICIPATION

282. 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
- Consultation through the operationalization of the Public Involvement Policy, including specific opportunities for civil society to communicate issues and influence the agenda of Council meetings

283. Stakeholder participation is discussed below. In the multilateral system the GEF has been providing a leadership in establishing open access practices for making operational information available to the public. Its pioneering role in this respect included making all Council documents freely available on its internet website. OPS2 compliments the GEF for setting up a information system which opens up access to the public of 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 enter into the practice of having senior staff from the GEF entities participate in NGO consultations, which are being regularly organized immediately prior to each Council meeting.

284. 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 IAs to develop quantitative and qualitative indicators of successful stakeholder involvement at different stages of the GEF project cycle; and to document best practice of stakeholder participation, by focal area.

285. 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 PIR 1999 identified the need for full community involvement at all stages of project design, implementation, monitoring and evaluation, together with an

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

assessment of the broader political, social and economic environment.¹⁹ Equally, all three IAs report that this issue is crucial to project success. OPS2 endorses this view.

286. The OPS2 team's examination of participation in the second operational phase of the GEF finds that whilst many projects, particularly in the areas where the intersect between people and environment are strongest (biodiversity and land degradation), are indeed addressing participation 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 approach taken to participation, and thus to identifying appropriate, inclusive approaches to project implementation.

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 trans-boundary 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 organised into management groups with responsibility for protection of 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); tree planting (the 10 indigenous trees per household target to address supply side is well on track with nurseries, planted trees and growing saplings everywhere); and use of improved stoves that burn 65% less fuel than traditional stoves (more than 3000 built so far).

The work of 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 mobilisers 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 harmonised community planning, resource documentation and analysis, which will lead to effective forest management plans - demonstrating 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 forest 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 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 – leading to changes in forest law and regulations.

¹⁹Cited in the PIR 2000 para. 48.

287. The OPS2 team's country visits found evidence of good participatory processes, benefit-sharing and positive socio-economic 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. It is considered that GEF projects would benefit from addressing socio-economic and livelihoods issues more systematically and in greater depth, including in the application of participatory processes and through the development of appropriate monitoring indicators, in order to address both participation and sustainability issues more effectively.

288. 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 which facilitated the creation of local and regional bodies, the participation of the private sector, and which, in many cases, led to measurable improvements in environmental indicators.

289. 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 under this Study show that comprehensive stakeholder involvement took place in 30% and partial involvement in 20% of the projects. About 25% 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.

290. 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 in GEF climate change strategies as being: (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".

291. 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:

- the application of the 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

292. 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.

293. 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 towards achieving socio-economic benefits in a mutually reinforcing manner. Examples of projects which achieve this in the three main focal areas have been previously referred to in Chapter 3.

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

295. 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 mobilization of community and other resources. Similar comments were made in many other countries visited, including Samoa, Nepal, Jordan, Lebanon, 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 associated global environment issues in their countries and/or regions.

296. In terms of outreach activities, the OPS2 team noted that most GEF projects in Africa visited during country visits disseminated information on project activities and ways to manage global environment issues through education outreach programs, interpretation centers, signage, newsletters (for example, the East Africa CBBCP and

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 bi-monthly and developed proactive outreach programs to communicate a common vision, policy and five year strategic plan for the Park. Activities included media liaison, establishment of a database of 1200 organizations and 800 individuals, capacity-building tours and workshops, joint discussion fora, and documentation of all public processes on video.

LVEMP, South Africa SABONET, Uganda KNPFWC), press, radio and TV (see Box 6.2). However, such activities were not routinely documented. In Argentina, the PCZMP public awareness campaigns included short video clips and documentaries on national TV; and the local NGO, FPN, hosted a TV spot for two years with financial contributions from local retailers who paid for TV and radio air time. In Samoa, the GEF awareness message was also placed on the local TV. Use of these media have promoted wider dissemination of GEF projects and their objectives.

297. In the East Africa LVEMP, local awareness of global environment issues is so high that even primary school students know the function of the "dudus" (biological control weevils) in managing water hyacinth. In Uganda, key awareness messages on the global environmental benefits of managing the Minziro forest (East Africa RBDLCBSP) are yielding tangible results: 8,400 people in more than 1800 households in 3 villages are promoting reforestation. The target of 10 trees per household to address the fuel wood supply side is well on track, with nurseries, planted trees and growing saplings. Reduced burning is now common, because grass is perceived to be a valuable mulch and thatching material. Constructing improved wood stoves to reduce the fuel wood demand side is rapidly expanding, with 652 stoves built in the Kakuuto and Mayanja communities. In Samoa, improved extension work in 16 villages in Aleipata & Safata (Samoa MPAP) has raised awareness of global environmental issues associated with the coastal zone, to the extent that some villages are replicating this project and are establishing their own marine protected areas and developing their own resource management regulations. This is an example of replication of GEF activities at local level.

MEASURING STAKEHOLDER PERCEPTIONS OF PARTICIPATION

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

299. 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 is presented in Annex 4.

CHART 6.1 SUMMARY OF STAKEHOLDER PERCEPTIONS - PARTICIPATION

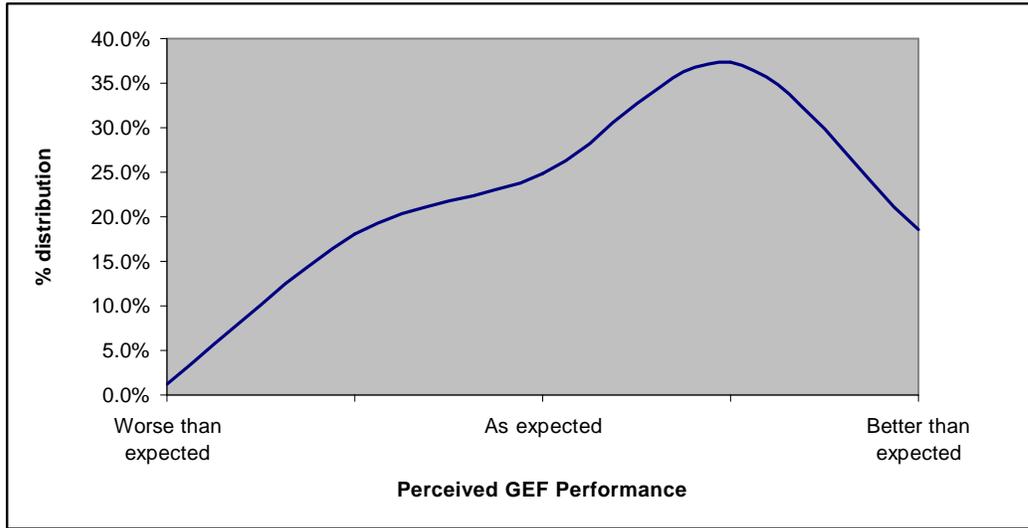
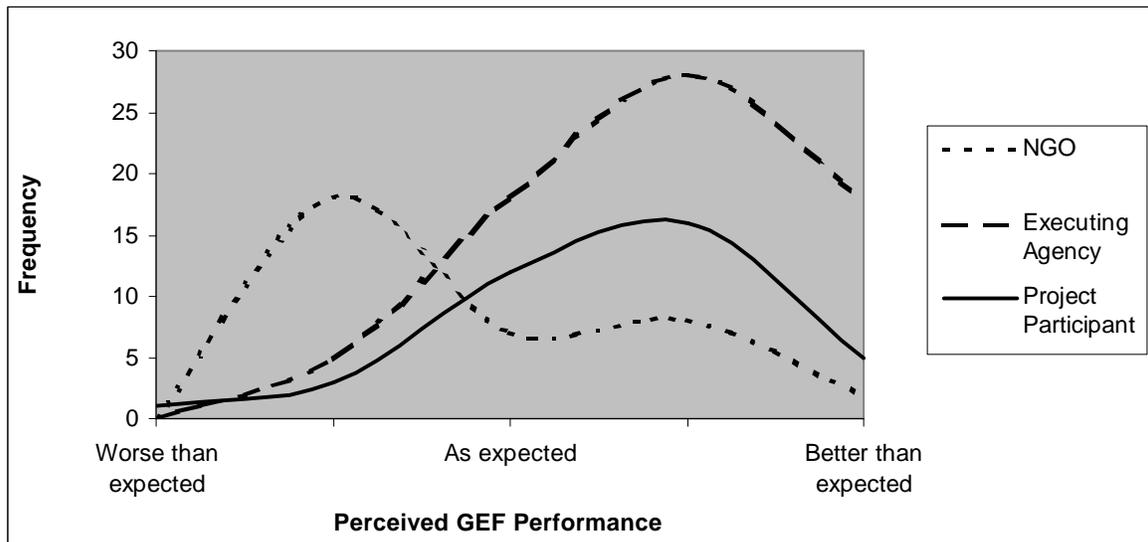


CHART 6.2 SUMMARY PERCEPTIONS OF PARTICIPATION BY STAKEHOLDER INSTITUTIONS



300. 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 are also actively

involved in the GEF project implementation. These perceptions suggest that national and regional GEF projects meet stakeholder expectations for participation.

301. The GAS data highlighted some important differences in perception about participation. Despite the efforts by the GEF to engage the NGO community, many NGO participants in OPS2 Country Visits perceived that there is limited participation of selected stakeholders in some GEF project activities. The GAS data presented in Annex 5 demonstrate 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 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

302. 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 Panama, in Jordan and Senegal) have impacted positively on broadening 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, and that these 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 approach to public involvement and for its documentation and measurement.

Box 6.3 DELEGATION OF DECISION-MAKING 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, decision-making related to the 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.

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

²⁰ PIR 2000, p. 31, para 90.

Box 6.4 INCREASING STAKEHOLDER INVOLVEMENT THROUGH USE OF INFORMATION TECHNOLOGY

In Brazil, by using the Internet to create a decentralized approach, the Ministry of Science and Technology has created a country-wide network that has involved government, industry, universities and NGOs on work on the emissions inventory. More than 100 institutions and more than 500 people have been involved in its development. The Climate Change Focal Point gives credit to GEF assistance for enabling the agency to involve so many stakeholders in a process that has helped to significantly raise the profile of climate issues in the country. The Ministry of Science and Technology has also used GEF support to translate and post most IPCC documents on websites, and to provide thousands of pages of additional climate information.

304. The inclusion of professional social development expertise in project implementation teams can lead to substantial results in terms of meaningful community participation: for example, OPS2 noted the positive impact of the appointment of a social scientist in the East Africa RBLACBSP, where the number of participating communities almost doubled over a period of three 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 BINPMGNPC. 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 the transfer of such lessons from field experiences in GEF project implementation to other stakeholders implementing or preparing GEF projects would contribute to enhanced sustainability and project relevance.

305. Inclusive, Ongoing Participation. Stakeholder participation and gender-inclusive processes have not been integral to GEF projects in terms of their being reflected in budget lines which allow 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 available funding specifically for participation, to encourage governments to be more open in this regard; and to link financial criteria to genuine, ongoing stakeholder participation, with government being held responsible for both documenting and reporting back on the process.

306. 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. In this regard, stakeholders must be clearly defined, and the term must be understood to include more than institutional stakeholders alone.

307. 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 practice and lessons learned from GEF and other relevant projects, and where to obtain further support.

308. *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).*

309. Vulnerable Groups. Issues concerning vulnerable groups,²¹ including indigenous communities, are the subject of the 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 safeguards for vulnerable groups of people. These guidelines have been the subject of extensive debate and in-depth examination in recent years, but remains an issue which 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

310. 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.

311. Certain direct opportunities for poverty-targeted interventions present themselves within the context of the GEF's mandate. For example, climate change projects in Mexico and Bolivia, where government designed "twinning" projects have invested in renewable energy by focusing on the poorest villages. Equally, the sustainable use approach to conserving biodiversity addresses the issue of environmental management through integrated conservation and development and through community-based natural resource management. These approaches become particularly important in the global commons and trans-boundary resources, where the issues of property and access become more challenging. In the focal area of waters, open access fishery poses serious concerns 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.

312. Indigenous Communities. GEF project experience on 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

²¹ Vulnerable groups cover indigenous communities, women, youth, and displaced populations. These broadly correspond to the international social issues (identified at the UN Social Summit in Geneva, 2000) as: exclusion, gender bias, resettlement, unemployment, and postwar reconstruction (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.

GEF's operational programs (OP) on biodiversity conservation and sustainable use contain activities which 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 developing world. However, there is little systematic documented information across projects on the quality of involvement with indigenous communities, though clearly some projects have addressed this issue substantively.

313. In Darien, Panama, for example, the main objective of the UNDP Conservation of Biodiversity project was the protection and conservation of the rich biodiversity of the remaining forests of Darien, through the development of local capacities and the 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 the strengthening of 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, to cattle raising and some trade services; and 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 of unfulfilled commitments during the previous cycle. None the less, they were able to regain the confidence and interest of local inhabitants, and reestablished credibility. Actions taken included implementing a successful micro-credit program in three communities that strengthened community capacities and promoted the participation of women – an example of how concentration on consolidation of internal organizational processes, accompanied by small financial stimuli; a series of well-designed activities through a participatory process linked to the revolving credit fund; and a training and follow-up program, can have an important positive impact on attitudes.

314. 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. Successful projects have been seen to be 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 to 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 needs always to proceed from a highly participatory process, in order to build trust. This has implications for the

sustainability of MSPs, since the empowerment of highly vulnerable groups requires a long lead time. A three-year time horizon for projects can be considered unrealistic where indigenous groups are key partners, unless prior investment in building trust and ensuring meaningful modalities for participation has been carried out. Many GEF projects seek actively to address this issue.

315. 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—engagement in this regard. 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.

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

Recommendation

317. *OPS2 recommends that an interagency task force be organized by the GEF Secretariat for the purpose of finding 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

318. The GEF's overall engagement with civil society partners (community based organizations (CBOs), non government organizations (NGOs), scientific institutions, 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 that "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 which serves as a consultative body as well as a channel of information to national civil society groups on GEF policies and programs.

319. 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. 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 were

responsible for the establishment of medium sized projects that provide a window of opportunity for NGOs to take the lead in implementing GEF programs.

320. 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.

321. 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.

322. During some country visits, OPS2 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 so long as they are one-off events; and they do not address the need for a system of ongoing internal communications between stakeholders and with the GEF.

323. 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.

324. 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 related to the work of the Conventions. OPS 2 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.

325. International NGOs (INGOs) have been playing important roles in GEF policy and program planning, project implementation, and monitoring, particularly when they function in strong partnership with national and local NGOs and CBOs. An additional important contribution is made by NGOs to GEF activities in the area of project execution. 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.

326. INGOs have brought technical strengths to bear on projects; have assisted in securing co-financing; have supported capacity-building for national NGOs; and were primarily responsible for the establishment of Medium Sized Projects that provide a window of opportunity for NGOs to take the lead in implementing GEF programs. However, during their country visits, the OPS2 team was informed that in some instances, the range of INGO in-country partners is limited and that it is frequently left to national NGOs to mobilize broader coalitions for public involvement. 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 to support NGOs.

F. PROJECT MODALITIES

SMALL GRANTS PROGRAM

327. 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 whilst enhancing the livelihood security of local people.

328. The OPS2 team received very positive reports about the GEF SGP in the countries they visited. The main constraint faced by SGP relates to meeting non-grant management costs. The extremely stringent budgetary rules on management overheads allows no flexibility for the National Coordinator to carry out adequate information/research support for improving focus and targeting of the program 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.

329. 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 projects. An important factor is the perceived relevance of the SGP for developing countries, by the linking of global, national and local-level issues through a transparent, strongly participatory and country-driven approach to project planning, design and implementation.

330. To the extent that the GEF SGP projects have generated wide stakeholder participation, built local capacity in project management, been successful in raising significant co-financing (in a number of cases from UNDP's development funds) and routinely involve income generating activities, their chances of sustainability are good. It would therefore be appropriate for the GEF Small Grants Programme to be expanded so that it is accessible in all countries that meet the criteria for its implementation. This would mean that the GEF Council should approve substantially increased funding for the program.

MEDIUM-SIZED PROJECTS (MSPS) WITHIN THE GEF PORTFOLIO

331. It is still too early in the implementation of most MSPs to ascertain their sustained impacts on the global environment within the three GEF focal areas. However there are clear and impressive indicators of progress in terms of capacity development, innovation, use of new methodologies, awareness raising and education, and prospects for sustainability. MSPs have leveraged significant co-financing, created conditions for scaling up and replication and had impacts on government policies with implications for global environmental issues. The MSP evaluation carried out in 2001 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.

332. MSP was established as a relatively fast moving and flexible funding opportunity that was to encourage much greater participation from various civil society stakeholders, particularly NGOs. However the assessment of the overall operational performance of the IAs and the GEF Secretariat in preparing, approving and implementing MSPs shows that expectations have not been met. While it was expected that it would take about six months between the time a project concept was approved and project implementation could begin, in reality the average has been over two years with several projects taking three to four years. Many dedicated project proponents and in-country IA staff have been frustrated by the long and unexplained delays within the GEF system. Often the review process has been distorted by multiple sets of comments coming in from the system without consistency between one set and the subsequent one. In some cases obtaining endorsements from Operational Focal Points for NGO executed projects have been difficult and time consuming. While there have been improvements in processing MSP's over time this has so far not met the GEF Council's plan of expedited processing.

333. Small- and medium-size projects seem to have a good success rate and under many circumstances may well be the best way to start off new and innovative GEF activities.

334. These types of funding are not only well suited to NGO activities but also to others. Small countries, including small island states, may well find medium-size projects ideally suited for most of the needs related to their aspirations to contribute to the global environmental conventions.

335. *OPS2 found that, with growing demand for GEF funding it would be important to allocate adequate resources to these programs. MSPs should be able to help test the opportunities for what can be actually achieved through GEF funding, before they are later considered suitable for up-scaling into full-size projects. This is becoming an important point from a programming prospective since there is now an excess demand for GEF funding. A more cautious approach to funding large projects seems sensible.*

TRUST FUND MECHANISMS

336. During its meetings with the IAs and with various country stakeholders OPS2 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 and thereby provide more long-term assurance, continuity and predictability with regard to funding for activities which require a longer development period that what can be accommodated under the usual project approach.

337. 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 and only that earned income can be used for agreed-upon purposes; *sinking funds*, when funds 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.

338. As of the end of 1998 the GEF had funded seven trust funds under in its biodiversity focal area. Most other experiences 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 their main accomplishments had included:

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

339. 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.

340. OPS2 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 search for innovative financial modalities the GEF should be encouraged to continue promotion of such longer-term operational approaches. These should not just be confined to the biodiversity focal area, but can play an strategically important role for institution building in many other environmental areas. However, the GEF should proceed with a strictly-defined matching principle to funding trust funds in order to ensure that it becomes one of several financial backers, and not their sole promoter. *OPS2 would encourage the GEF to explore further the most effective ways to support trust funds in GEF operations.*

G. GENERATION AND USE OF SCIENTIFIC KNOWLEDGE

341. The Science and Technology Advisory Panel (STAP) constitutes the central mechanism for providing the GEF with advice on science and technology (S&T) issues. GEF recognizes the importance of mobilizing the wider scientific and technological community to assist in bringing scientific inputs into GEF operations at the national and local levels including the development of methods for assessing the efficacy of on-going 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 S&T networks and what the most appropriate mechanisms were to involve the S&T 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.

342. The main programs in which GEF has successfully involved the national scientific communities is in the preparation of the reports to the Conventions, particularly the preparation of national inventories, and national strategies and action plans. UNEP has focused special attention to mobilizing scientific support for global and regional monitoring and assessment exercises. On the other hand, the involvement of national S&T 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 S&T networks this is considered an inadequate mechanism because of a lack of supporting mechanisms at the regional and national levels.

343. By broadening and intensifying this partnership with the S&T communities GEF would not merely be making in-country project planning and implementation cost-effective and sustainable, it would build capacity that would enable developing countries to meet their obligations under the Conventions. Expertise could be built in country for developing and applying scientific indicators that would measure project impact in each of the GEF focal areas. Policy guidance should be given to the Implementing Agencies on how the national S&T communities could be encouraged to participate as key stakeholders in the project planning and implementation process.

344. OPS2 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 of GEF enabling activities.

H. INFORMATION AND COMMUNICATION

345. Information and communication services (outreach) is a relatively recent undertaking in the GEF. In the last two years, with Council support the GEF has initiated a multi-pronged 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 through the GEF website.

346. Yet during its country visits OPS2 teams found that there was still much lack of clarity, even among key stakeholders, about GEF, 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 the various GEF in-country stakeholders) being able to easily access the Internet.

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

348. 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.

I. SHARING LESSONS LEARNT

349. OPS2 considers it important that cross learning be strengthened and accelerated, so that GEF resources can be used more effectively. OPS2 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 environmental plans and strategies. Each of the implementing agencies have their own systems for drawing lessons from operational experiences. The key point for the GEF is to encourage and facilitate more intensive inter-agency sharing of experiences of relevance to the GEF.

350. The annual Project Implementation Reviews provide a useful forum for inter-agency 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.

351. A notable result for the international waters area is that it is the only focal area within the GEF with an easily accessible mechanism in place 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. In the conference were present representatives from the IAs, the GEF Secretariat and GEF project participants. The conference provided a forum for exchange of experiences between GEF projects, and for promoting collaboration to incorporate lessons, avoid duplication and ensure efficiency. The conference especially benefited those projects that operate in the same geographical area.

352. *OPS2 considers it important that cross-learning processes be strengthened and accelerated particularly on the inter-agency basis, within each project category.*

J. LONG-TERM PROGRAMMATIC APPROACH

353. 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, multi-year 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 expanding GEF.

354. OPS2 found that the Chinese experience in developing a programmatic approach (under the GEF-World Bank Renewable Energy Partnership) has significantly enhanced GEF activities. OPS2 notes that both Mexico and South Africa are developing medium term strategies for GEF funding in collaboration with local stakeholders.

355. A key pre-condition of such approaches, however, 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 the overall development strategy of the country. A second pre-condition 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

²³ IW_LEARN is a project under the implementation of UNDP aimed at Strengthening Capacity for Global Knowledge Sharing in International Waters.

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

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 to all this should be a high level of national political and financial commitment to the environment, and in particular, to the proposed program.

356. *OPS2 supports the GEF strategy of piloting the programmatic approach in a few countries, focusing on those where there is a significant portfolio and/or pipeline of GEF-funded activities.* An important point in this regard is that it should not be pursued on a piece meal 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 and coordinated by the GEF Secretariat.

VII. INSTITUTIONAL AND MANAGEMENT ISSUES

357. The central theme of OPS 2 is the assessments of the results and impacts under completed and ongoing GEF projects. While OPS2 was not requested to make an evaluation of the institutional and legal issues facing the future of the GEF, it was asked to consider how GEF institutional structures and relationships have facilitated or impeded attainment of results. During its work with the GEF Secretariat, the Implementing Agencies, STAP, the new Executing Agencies, country officials, NGOs, and other stakeholders, OPS2 considered issues related to how GEF's institutional structure, and division of roles and responsibilities between the GEF entities, have impacted on project implementation, content and quality of the GEF portfolio, including the recent streamlining of the GEF project cycle. In this context, it also reviewed progress and timeliness of implementation of GEF operations and considered the effect of expanding the GEF, to include new Executing Agencies, on GEF's programming efforts and coordination between GEF entities. The "Institutional and Management Issues" addressed in this chapter reflect this perspective.

358. 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 which builds on the comparative strengths of the different partner entities. The first level of partnership is among the GEF Secretariat and the three Implementing Agencies—UNDP, UNEP, and the World Bank—given their significant roles in the gestation of the GEF, and in operational program development, in preparing and implementing GEF-financed activities, and M&E. In addition, the World Bank, acts as the Trustee to the GEF Trust Fund, and provides administrative support to the GEF Secretariat.

359. 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. This source of funding emerged at a time when OECD country contributions to the core funding of UNDP and UNEP 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.

360. In this situation, the Secretariat and the IAs made efforts to try to ensure that this competition was constructive, and also supportive to the interests of country partners and the objectives of the GEF Operational Strategy and Operational Programs. In recent years the relations have become more cooperative and harmonious between these four primary entities of the GEF. All of them reported to OPS2 that progress had been made in this respect.

361. However, several factors are going to test the capacity of the GEF in the coming years. An increasing number of convention-related tasks come under the GEF. 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 multi-convention 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. The number of countries with increasing understanding of the GEF and of the possibilities of marrying global environmental benefits with sustainable development objectives has grown and will increase further.

362. At the same time as GEF's mandate has been expanding, the nature of the global economy has changed. The roles of the private sector and the civil society in managing the global commons has become more pronounced. Most recently, it has been agreed that the 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

363. 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.

364. The GEF Secretariat works closely with the appropriate Convention Secretariats on technical matters relating to the interpretation of Convention guidance. As OPS2 has noted, response to Convention guidance, has been pragmatic and generally satisfactory, and 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. OPS2 would like to emphasize that clear communication and consistency in the guidance from the COPs regarding GEF priorities would enhance the timeliness and quality of GEF response.

365. OPS2 finds that, as the only multi-convention financial facility, it is appropriate for GEF to be open for considerations to include new specific 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 Conventions should be encouraged to identify which of the current Convention-related activities no longer

have the same priority and therefore can be discontinued or reduced. This must be part of a two-way dialogue which is also reflected in the regular reporting to the COPs by the GEF.

366. A rapidly expanding number of Convention-related meetings and consultations requiring the presence of the GEF Secretariat staff is taking up a major part of its annual work program and budget. There is now a growing number of substantive meetings related to the conventions to which the GEF Secretariat is expected to be present but to which it does not have enough staff time available to be able to respond. The travel costs of staff in the GEF Secretariat for participation in convention-related meetings increased about 50% last year as compared with the previous year. Such costs absorbed 37% of total travel expenses for the GEF Secretariat in FY00 and accounts for 49% in FY 01.

367. Still, as noted in Chapter 4, from an institutional perspective it is important for the GEF to address the problems of connecting GEF operational focal points effectively with the convention focal points at the country level and for encouraging the reporting on GEF activities and their results to be included in the national reporting to the conventions. Since the GEF's main institutional mandate is to serve as financial mechanism for the conventions, it is obviously important for those who provide these funding to the GEF to expect that its ultimate clients, the country recipients of such support, will articulate their views and judgment on its effectiveness, not just to the GEF Council and to the GEF entities, but also to the convention bodies which provide guidance to the GEF. In the future the level of GEF replenishments will very likely be influenced by the positions expressed with respect to the GEF by the recipient countries at convention-related meetings.

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

RELATIONS WITH COUNTRIES

369. The conclusions from Chapter 5 have also significant institutional implications. The GEF will need to give more attention to strengthening the Operational Focal Points in each country. This will entail proactive efforts by the GEF Secretariat and also the IAs in providing regular, up-to-date information on the project pipeline and on the status of the GEF portfolio in each country. It will also involve making available specific funding for the purpose of facilitating in-country portfolio-related workshops, in parallel with the ongoing Country Dialogue Workshops which focus on broader awareness of GEF policies and procedures.

370. The GEF Operational Focal Point can and should be able to function as the main facilitator for such coordination. How this task is being organized and established is the country's own responsibility, but the GEF can help provide support aimed at increasing the effectiveness of the Operational Focal Points in order to enhance substantially the

efficiency of GEF interventions. OPS2 has concluded that that the GEF Secretariat must take a lead coordination role in this regard, together with other GEF entities, to the extent that they are engaged in GEF operational activities in that country. Such a role for the GEF Secretariat would involve it in a new lead function, and should lead to 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 with adequate regional knowledge and language skills; and with the capacity to provide effective, prompt operational processing; procedural guidance; and information support services.

371. The GEF Secretariat does not have the staffing capacity nor the budget resources to establish effective support services to the Operational Focal Points. OPS2 found that the lack of such support is a major weakness in the present GEF system. Hence OPS2 would encourage the GEF Council to give this matter immediate attention.

TECHNICAL AND OPERATIONAL CAPACITIES IN THE IAs AND THE EAs

372. 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 crosscutting themes. Each has made available technical expertise and operational experience based on their various 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 our view, no single IA can, on its own, take on all of the present and planned GEF functions. Neither can the GEF Secretariat take these functions on its own. Each of them represents critical partners for ensuring that the GEF can effectively evolve to meet expanded operational challenges.

373. OPS2 noted that IA staff commitment and motivation in achieving GEF objectives are important contributions. 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. It was frequently stressed to OPS2 by IA representatives that this staff contribution could be maintained and developed further only as long as there is a reasonable degree of predictability over the medium term future about the funding level of GEF activities around which the IA could plan. It would seem possible to derive a common 'indicative planning' framework which can provide reasonable predictability for their involvement in GEF operations over the medium term future.

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

375. The newly inducted Executing Agencies are developing another level of partnerships to prepare and implement GEF-financed activities. They will add a welcome

dimension to GEF's capabilities in fulfilling country needs but they will also bring with them increased competition for GEF funding and more complex country and inter-agency coordination. In this regard it is very important to ascertain for each GEF Focal Area the extent to which each new EA has the technical and operational capacity to serve GEF effectively. A gradual and selective approach would seem appropriate. Their comparative strength for GEF-related tasks should be carefully examined with respect to areas where these agencies are able to demonstrate fully satisfactory GEF-relevant operational capacity to help countries bring about clear and convincing implementation results. Once this specific operational capacity has been ascertained to the satisfaction of the GEF the new Executing Agencies should be able to have access to the GEF Work Program and become directly accountable to the GEF Council.

CAPACITY TO ENGAGE THE PRIVATE SECTOR

376. The GEF should become more actively involved in coordinating knowledge and experience about how the private sector can provide more direct support to GEF activities. One of the Operational Principles of the GEF is to emphasize its catalytic role and leverage additional financing from other sources. The private sector can make a key contribution in this respect, in direct project co-financing and particularly in the replication of GEF project results beyond what is possible through the public sector.

377. The GEF Secretariat, in partnership with the Implementing and Executing Agencies should take a lead role in creating an enabling environment by developing more specific, market-oriented strategies which can attract private sector partnerships; and by expanding or modifying GEF operational modalities to enable timely interaction with the private sector. The Implementing and Executing Agencies should be encouraged and supported to prepare and implement activities through the private sector by drawing on examples of GEF activities that already involve private sector actors, such as those of the IFC.

378. The position of a private sector advisor in the GEF Secretariat has been approved and budgeted, but so far there has been slow progress in recruiting a suitable experienced and knowledgeable person. The CEO has been participating actively in dialogues with various private sector representatives and corporate leaders, but there is very little institutional relationship between the GEF and the private sector in general. OPS2 urges the active recruitment for the position of a very experienced senior-level Private Sector Advisor, who should assume a lead role in establishing and managing an interagency task force charged with expanding private sector participation in the GEF. Substantial expertise in this field can be drawn from the World Bank, particularly from IFC, and also, with the expansion of GEF to include new Executing Agencies, from the regional development banks. GEF should also consider secondments of suitable qualified individuals from the external private sector firms and financial institutions on a rotational basis to supplement its available expertise.

THE ROLE OF THE STAP

379. The STAP has an important role to play in the GEF. It provides essential scientific and technical inputs and guidance into GEF programs and projects so that these can be based on the best available scientific knowledge.

380. However, OPS2 discussions with STAP members, with the STAP Secretariat, with the GEF Secretariat, and with IAs suggest that the present system of providing scientific advice to the GEF could be significantly improved.

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

- Providing strategic advice to the GEF on a wide range of issues, including during formulation of new OPs.
- Providing selective reviews of specific projects during implementation or after completion, when requested (this occurs only rarely).
- Development and maintenance of a roster of experts that agencies can call on for project reviews during the project design stage.

382. By general agreement, the STAP's most important role is providing scientific and technical guidance in the development of OPs and other operational modalities. OPS2 finds that providing strategic advice is an absolutely critical role for the STAP and OPS2 concurs with STAP's current efforts to bring a scientific and technical perspective which is not limited to natural science or engineering questions but also takes account of social and institutional contexts in providing S&T inputs. OPS2 also finds that structural changes are needed to strengthen the STAP's ability to fulfill its strategic advise function. The structural issue arises from the usual 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 newly appointed Panel. Since 1998 proposals have been presented to change the appointment procedures in order to allow for staggered terms, but it has met with difficulties, specifically in regard to current criteria for regional representation. *OPS2 considers it important that the GEF should appoint STAP members for staggered terms.*

383. Use of the STAP roster of experts to perform project reviews results in reviews that are generally of good quality, as appraised by the STAP and the IAs. Nonetheless, the review system could be strengthened. Reviews occur relatively late in the project design cycle (often just prior to submission for Council approval), are often done very quickly, and are mostly performed by experts from developed countries (although the percentage of reviews from developing country experts has risen significantly in recent years to about 28%). STAP members expressed views to the OPS2 team that the project review step comes too late in the project design cycle to be optimal and that brief reviews are sometimes superficial.

384. It is striking, moreover, that 77 % of the experts in the roster have never been used for reviews. There is no systematic pruning of the roster and there is in fact no mechanism to do so; experts are removed only for non-performance; in practice when they retire, die, or can no longer be contacted. OPS2 is concerned that the present system does not make the best use of the S&T expertise represented by the STAP roster and that reviews sometimes function as an obligatory but meaningless check off. Repeat use of the same reviewers, and 20-25% of less than good reviews as evaluated by the STAP, are indications that the system strongly needs improvement. *OPS2 finds that the STAP roster needs major pruning and upgrading on a regular or continuing basis and that the GEF needs to institute a mechanism to make this possible and ensure that it occurs.*

385. OPS2 also finds that experts from the roster could contribute more if their role was participatory and consultative rather than judgmental and provided a science and technology perspective beginning at an early, conceptual stage of project design and continuing through the project cycle to the extent needed. OPS2 notes the positive experience of the French GEF in which a scientist is associated with a project for the entire project cycle, is available for consultation, and can seek advice from other scientists with expertise relevant to a particular inquiry. OPS2 notes the suggestion from the STAP of involving two or more members of the roster, at least one from a developing country, in each project review, to ensure a breadth of perspective. OPS2 also notes that a longer-term involvement with the project along the lines described above, by a scientist from the country or region of implementation rather than by an international consultant, would be both cost-effective and simultaneously serve a capacity-building function. *OPS2 finds that the STAP should be asked to explore these and other new mechanisms for improving the use of S&T expertise and to recommend appropriate changes to the roster and project review system.*

386. OPS2 found instances where coordination between the STAP Secretariat and the rest of the GEF has been problematic. OPS2 welcomes the UNEP decision to move the STAP Secretariat to UNEP's Regional Office in Washington, D.C., in 2002, in order to improve coordination between the STAP Secretariat and the GEF Secretariat.

Recommendation

387. *To strengthen the GEF system for providing scientific and technology inputs, OPS2 recommends that STAP members be appointed for staggered terms, and that STAP be asked to explore mechanisms for improving the use of S&T expertise within the GEF and to recommend appropriate changes to the present system for project reviews and for maintaining the roster of experts.*

THE GEF PROCESSES FOR PROJECT APPROVAL AND START-UP

388. 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 continuing concerns were brought out 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 taking place at IA headquarters and in the GEF Secretariat.

389. These concerns have both institutional and managerial implications. The concerns raised had to do with multiple sets of comments from the same authority—in the GEF Secretariat and at IA headquarters—without effective coordination of their internal consistency, with different views often expressed when new staff were assigned to a specific project, with new sets of comments coming subsequently from the same supervising or advisory source indicating new view points and new formats for presenting project proposals and final reports. Such problems can be addressed by improved management practices and by better clarity about the institutional roles within the GEF.

390. However, OPS2 noted that many of projects with lengthy design and preparation were also considered better projects because they had taken the time needed to plan them very carefully. By their very nature GEF projects are seldom straight forward “simple” projects. Quite the contrary, they are often quite complex and involve considerable time needed for exploration of various technical options and experimental designs, as well as in many cases considerable stakeholder consultations. Therefore it cannot necessarily be expected that GEF regular projects can be processed under ‘fast track’ procedures, when they may lose quality-enhancing preparatory steps. Improvement sought in achieving shorter timeframes for project processing is therefore a balancing act between what is necessary to ensure project quality and what are poorly coordinated review procedures and duplicating and overlapping institutional functions.

391. These matters have been a source of continuous concern from the beginning of GEF. They are frequently addressed during various interagency consultations. The annual GEF Project Performance Reports have brought out 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 time needed to process projects in 1998 and 1999, but in 2000 it increased to about the same level as in 1997—around an average of 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.

392. OPS2 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 at this stage that substantial improvements can be achieved in reduction of processing time. It is well understood that project designs which seek 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.

393. However, there seems to be room for some improvement in the management system and in the procedures for the project review process in both the GEF Secretariat

and in the IAs. The GEF should be encouraged to undertake a more in-depth review of processing time in each annual Project Performance Review. OPS2 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.

394. Medium Sized Projects (MSPs) present scope for more immediate improvements. These projects were expected to require much shorter processing time than regular GEF projects, but this has not materialized. Elapsed time from project identification to the submission of the briefs to the GEF Secretariat is on average 342 days for UNEP and 566 days for UNDP. OPS2 has noted the following important finding from the recent evaluation of MSPs:

“While there have been considerable improvements over time, and MSP processing compares favorably with FSPs, the actual processing times far exceed the original goals set for MSPs. Reality has fallen far short of the expectation that MSPs would be a relatively fast-moving and flexible funding opportunity. The GEF Secretariat prediction that it would take approximately six months between the time a project concept is approved and project implementation can begin has proven over-optimistic. In practice, the average has been over two years, with several projects taking three or four years. Even these higher-than-expected figures do not include the substantial preparation time often required to prepare a project concept to the satisfaction of both the GEF Secretariat and the IAs, which itself has varied from a few months to over two years.”

395. *OPS2 concludes that more efforts should be devoted to reviewing the processing procedures and the management of the project review processes in the GEF. There seems to be scope for improvements in the time needed for processing regular GEF projects, and even more so for processing MSPs. The latter should receive high priority for immediate corrective action.*

INFORMATION AND COMMUNICATION

396. 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, OPS2 visits have revealed that the Implementing Agencies have little incentive to give credit to the GEF for operational achievements—there was 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 there is poor visibility of the GEF, even on projects fully funded by it.

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

misunderstandings, which prevail about the GEF 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.

398. 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. While easily accessible in more developed countries, Internet access is not only much more difficult for many developing countries but also involves considerable cost which may not be easily met at 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 an 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.

399. 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 parts of the GEF as to how information about global environmental issues and the GEF will be disseminated during project development and implementation.

PARTNERSHIPS TO MANAGE FOR QUALITY AND FUNDING SCARCITY

400. 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 to manage and allocate 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. A partnership should also recognize that collaboration through the project cycle will result in continuous improvement from well-informed programming, preparation and implementation that balances global environmental benefits and sustainable development needs of countries, and monitoring and evaluation that shares program and project information.

401. The 1999 Project Performance Report recommended a transition from approvals to a results-based culture. OPS2 endorses that, and recommends further that the evolution of the GEF continue evolving from results to a quality-based culture. This is an effective way of managing excess demand for GEF resources and ensuring 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:

- results-based relationship between the GEF Secretariat and IAs;
- the fee system for project implementation;
- monitoring and evaluation;
- roles and responsibilities of the GEF Secretariat; and
- strengthening the institutional status of the GEF.

RESULTS-BASED RELATIONSHIP BETWEEN THE GEF SECRETARIAT AND IAS

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

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

404. The Implementing Agencies should continue to have the main responsibility for project implementation, but must be open to, and appreciate, the strategic and practical value of an active GEF Secretariat participation in monitoring the main strategic and programmatic goals during the implementation of GEF projects. More field-level experiences 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.

405. There must also be opportunities for close partnerships in the evaluation of projects, to allow a collaborative approach to the difficult task of gaining knowledge and sharing experience about how positive results can best be achieved for the benefit of the global environment.

406. At the same time, there is scope for the Secretariat to reduce its involvement in detailed project reviews prior to work program entries and final project approval. As part of the creative partnership approach which OPS2 considers important for GEF project development and implementation, responsibility for some of this up-front review work can 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.

407. It is encouraging to note that this idea is not new 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 to shift the balance of 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 have responsibility to ensure that project met 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 expediting the project processing were approved by the Council during November 2000.

Recommendation

408. OPS2 recommends that the GEF manage delivery of global environmental benefits by initiating a paradigm shift from an approval culture to one that emphasizes quality and results. This should be achieved through an interagency system, based on partnership principles including countries, that uses interagency task forces to address program and policy issues and adopts broader team work to support project implementation, particularly during mid-term reviews and project evaluations.

FEE SYSTEM FOR PROJECT IMPLEMENTATION

409. 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 oversees that its institutional costs are kept under close scrutiny.

410. 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 two fiscal years since July, 1999, GEF has approved 282 projects for total GEF grants of \$ 991million. These projects were associated with IA fees for a total of \$ 82 million, equivalent to 8.3% of total grants approved in this 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, that GEF’s flat-fee structure is neither unreasonable nor inappropriate.

411. 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. OPS2 also identified that IA offices in some locations regard GEF fees as a useful additional source of non-earmarked funding and tailor their activities and programs to maximize such fee revenues. There are several examples of project delays caused by bickering between UNDP, UNEP or the World Bank over fees and “rights” to projects.

412. OPS2 finds that the current fee system should address at least three key management functions—keeping institutional costs under careful control, allocating such resources in an open and transparent manner, and also 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.

413. OPS2 has identified a number of opportunities to strengthen the fee system to ensure that GEF projects are effectively and efficiently implemented:

- Accountability—accountability could be ensured by adopting an 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—transparency could be enhanced by making fees paid to IAs for project implementation a clear and integral component of project budgets that

should be accounted for and evaluated consistent with all 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 an appreciation of the roles and responsibilities of all stakeholders in GEF projects.

- Competition—competition could be addressed by encouraging the seven Executing Agencies under the Expanded Opportunities Program to compete with the three existing IAs for projects which conform with national priorities. Where the IAs, EAs and client governments choose to sub-contract some project implementation services, there are expanded opportunities for competition by involving the private sector and the NGOs, as well as other project executing institutions.

414. 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 PDF modality recognizes this to some extent, but there is a concern expressed by some IAs and other GEF stakeholders to the OPS2 Team that the up front perception of risks discourages innovation in project design and execution to deliver global environmental benefits. The existing modalities could address this concern by explicitly encouraging innovation and ensuring that special fees be associated with PDF grants made available to IAs for innovative project design that address priority OP objectives and deliver global environmental benefits.

415. Effectiveness of IA performance in project implementation for the GEF could be further strengthened by the GEF Secretariat and the 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 fees payments phased over the life of the project using two or three payments linked to specific project milestones or outputs linked to the standard set of tasks performed by IAs or EAs.

Recommendation

416. With respect to concerns raised when the GEF was established about cost efficiency, the accountability for services to be provided, and the need to monitor overhead costs, OPS2 recommends that the GEF strengthen its present fee system by establishing a standard set of tasks to be performed by the IAs with fee resources and 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. Fees should be transparently identified with reference to each project; be subject to audit; and be evaluated, in order to be treated consistently with all other project-related costs.

MONITORING AND EVALUATION

417. Effective monitoring and evaluation is central to a quality culture because of its contribution to continuous improvement. The GEF Monitoring and Evaluation function should strengthen its information dissemination and institutional linkages with IAs and Operational Focal Points to support adaptive management at a project scale, portfolio management at a program scale and a process of continuous improvement at an institutional scale.

418. 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 Function are laid down in the Framework and Work Program for the GEF Monitoring, Evaluation and Dissemination Activities²⁵. Its functions are: to guide decision-making on improvements in program management, including adjustments and amendments of 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.

419. 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.

420. Currently there are no regular procedures or processes that enable a partnership between the GEF Secretariat and IAs in mid-term reviews and project evaluation. Good team work should be encouraged among the GEF partners to ensure that the design and planning of these activities are well focused 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 in the evaluation of completed projects, without undermining the overall IA responsibility for project implementation.

421. 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 more active involvement of Country Operational Focal Points for the purpose of providing participatory inputs to IA annual reporting to the GEF Secretariat. Such an approach would strengthen the linkage between

²⁵ GEF/C.8/4/Rev. 1

project review and project implementation and would be supportive of adaptive management for continuous improvement.

422. GEF has successfully documented the results and lessons learned from monitoring and evaluation of its investments. However, there is little evidence that the GEF Secretariat or IAs, let alone country partners, act on the lessons learned and other publications resulting from the evaluation of program and selected project indicators. A formal feedback loop is needed to link evaluation findings and management activities.

423. 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 monitoring and evaluation team and other actors in the project cycle—especially Operational Focal Points, IAs and Executing Agencies—to ensure that lessons learned are reflected in the design and management of new GEF investments.

424. 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 investment by sectors, focal areas, or thematic categories) could be added to the existing techniques to better reflect modern investment practices and to provide guidance on allocation of scarce GEF resources to the highest and best possible use.

425. Care should be taken to ensure that the M&E work is well balanced between conducting intensive in-depth studies, and undertaking assessments of more immediate monitoring of program achievements and providing short-term responses to key indicators for achieving GEF results. One such task is to bring out annual reporting on project outcomes in the GEF Annual Report, a task which is laid out 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 provide additional focus on a careful and balanced presentation of project outcomes as evidenced from project termination and completion reports and from final project evaluations.

Recommendation

426. With due respect for the IAs overall responsibility for project implementation and evaluation, the GEF Council should strengthen the monitoring and evaluation functions of the GEF M/E Unit to include supporting partnership in mid-term reviews and project evaluations particularly in regard to providing advice on TORs for mid-term reviews, project termination and final project evaluation, in making contributions to the review of these reports, in reviewing and compiling the results reported from project evaluations, and in arranging adequate feed-back to all GEF partners.

ROLES AND RESPONSIBILITIES OF THE GEF SECRETARIAT

427. A main thrust of this report is to encourage an active partnership approach in all phases of GEF's operational activities. This has direct implication on the capacity of the GEF Secretariat, which must have the competency and the 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 take place in different ways, by providing guidance on key GEF objectives such as global benefits, by contributing to the formulation of tasks set under TORs, by selective participation in field mission for mid-term project reviews, and for helping to ensure that the actual project outcomes address effectively and explicitly the global environmental objectives which serve as the main focus for the GEF mandate.

428. Furthermore, OPS2 considers it important that evaluation work include staff from the Focal Area and Thematic Teams in addition to the staff of the M/E unit itself. It is self-evident that the 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 staff also having a good understanding at the end of the project of the realities of the field-level conditions, the development context and a good operational understanding of the extent to which the global benefits have been achieved.

429. Some concerns were expressed to OPS2 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 apparent that the GEF Secretariat is severely understaffed to carry out its present and new forthcoming functions. OPS2 concludes that a careful work program and budgeting assessment of the GEF Secretariat's expanded role and growing functions should be conducted so that a more precise recommendation can be made to the Council with regard to its staffing requirements. Furthermore, the skill mix and composition of the GEF Secretariat staff should also be assessed. Assessment should be conducted of appropriate training programs and how they be interrelated with opportunities for gaining practical field experience. Staff rotation between the GEF Secretariat staff and those serving in GEF-related staff positions in the Implementing Agencies should also be further reviewed and considered.

430. Efforts to strengthen capacities in the GEF Secretariat must address clarifications of roles and responsibilities, 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. OPS2 notes that training programs seem to be consistently pursued in GEF, including management training already provided to all of its Team Leaders.

431. 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 up to project approval) can free up staff

resources which can then be utilized for the GEF Secretariat involvement in operational support during project implementation. Some savings of this kind can be realized but OPS2 does not consider it realistic to assume that the likely staff time saved would allow much opportunity for the Secretariat staff to participate in partnership tasks during project implementation. Staffing levels in the GEF Secretariat will have to be increased in order to fulfill a useful implementation function and for serving the expanded functions in regard to both existing and new conventions, new Focal Areas, as well as strengthening country programming and coordination.

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

433. 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 spearheaded many important catalytic functions and pioneering task which have contributed to the achievements made so far. In this process with continuous 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, coordination among the various units in the Secretariat and the most efficient way to delegate responsibility among senior managers, including team leaders.

434. OPS2 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 in order to update findings from the 1997 exercise and also to assess current management systems and future management needs in light of the emerging expanded role and responsibilities of the GEF Secretariat.

Recommendation

OPS2 recommends that the GEF Council makes commitments at the earliest opportunity to strengthen the professional resources and management capacities of the GEF Secretariat in the following key areas:

- ***Establishing a separate unit (Country Support Team) to service national Operational Focal Points, resourced with adequate regional knowledge; language capacity; and the competence to provide effective, prompt operational and procedural guidance;***

- *Developing and communicating operational modalities to engage effectively the private sector— by recruiting a senior-level private sector adviser and also considering secondments from an IA 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 in order to make more precise recommendations to the GEF Council of staffing needs, including ensuring functional capacity for strategic portfolio management, assessing the expanded capacity needed to serve new conventions and protocols, enhancing the capacity to address social issues strategically; effectively addressing participation, gender and poverty alleviation as they relate to sustainable global environmental benefits; and selectively participating in field missions to on-going projects; and,*
- *Contracting an external management review of current management systems and future management needs in the GEF Secretariat.*

STRENGTHENING THE INSTITUTIONAL STATUS OF THE GEF

435. The GEF was established as a pilot program by the resolution of the Executive Directors of the World Bank and 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 continues to be the Trustee of the GEF Trust Fund. Thus, in legal terms, and in the eyes of many observers, GEF remains linked to the World Bank.

436. OPS2 considered this issue from the perspective of GEF's mission and longer term viability. 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, and which also need an increasing active role by the GEF Secretariat in ensuring that the various partnerships bring out the most effective and cost-efficient results meeting GEF's global environmental objectives.

437. 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 if the institutional status of the GEF was better recognized. We believe this warrants consideration of giving it some form of legal recognition or autonomy without undermining the key partnerships built up with the Implementing Agencies and the important roles which they must continue to carry out operationally within the overall GEF. It seems particularly timely to do so now in light of the growing excess demands for GEF funds from a rapidly increasing project pipeline.

438. Hence, OPS2 concludes that the GEF Council should take immediate steps towards exploring 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 it should examine in this regard. The need to strengthen the GEF institutionally is driven by many factors mentioned earlier—the expanding OPs, the expanding relations with new conventions and protocols, the inclusion of new institutional partners, such as the seven Executing Agencies, in helping GEF eligible member countries achieve effective country coordination, and in addressing country priorities in relation to its sustainable development programs and policies, and the increasing scarcity of GEF funds.

439. 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. It calls for a stronger institutional presence by the GEF in the global community. Mainstreaming of global environmental issues in the IAs is showing results and will likely be pursued further in the future. However, while the mainstreaming of global issues will have positive results, this will not reduce the need for the GEF to have stronger institutional structure. It is the guardian of some very difficult and complex tasks, to respond to guidance given by the environmental conventions and to translate and transform these into projects which can yield viable results and credible impact in recipient countries. Based on the performance of GEF so far, and its new and expanding functions in the future, OPS2 considers it very timely to consider a significant strengthening of the institutional structure of the GEF.

440. 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 some adjustments to accommodate new partners. OPS2 concludes that this evolution of growing institutional responsibilities should be centered around a stronger role for the GEF Secretariat within the GEF.

Recommendation

441. To support evolution of the GEF to a quality- and results-oriented institutional culture and 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 considers a review of options that will strengthen its institutional structure, including the option to provide it with separate legal status.

VIII. MAIN CONCLUSIONS AND KEY RECOMMENDATIONS

442. Throughout this report a number of findings, conclusions and recommendations have been presented. This chapter brings out an overview of the main conclusions of OPS2 and lists the fourteen key recommendations set forth in earlier chapters.

443. At the outset of this evaluation task OPS2 was asked to assess the performance of GEF as to whether its projects have been able to produce significant results. The GEF portfolio is still young, with 95 completed projects of which 41 had finalized their evaluation reports for use by OPS2. The latter represents about 7 % of approved GEF projects since its inception. The completed projects are largely those set in motion during the Pilot Phase, which did not benefit from guidance from the subsequently approved GEF operational Strategy and the Operational Programs. There was considerable experimentation of new ideas and new project concepts.

444. OPS2 was also asked to note results achieved under ongoing projects. In this case the emphasis was on projects with at least two years of implementation experience. In the absence of evaluated project results OPS2 relied to larger extent 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.

445. **A main conclusion of OPS2 is that, despite the above limitations, the GEF has been able to produce significant project results aimed at improving global environmental problems.** Under its ozone program, the GEF has been responsive and supportive of the Montreal Protocol and has had significant impact in helping to achieve meaningful reductions in ODS. In its Climate Change focal area OPS2 finds that the GEF has been most effective in promoting energy efficiency and has achieved some success in promoting grid-connected renewable energy. In the Biodiversity focal area, the GEF has steadily improved the standards of management of protected areas through participatory approaches. GEF-supported activities under the International Waters focal area has made significant contributions to the implementation of existing global and regional agreements addressing protection and restoration of freshwater and marine ecosystems. Since land degradation has so far only been designated a cross-cutting program area, the results are more modest. While few projects have significantly alleviated land degradation, OPS2 found that many projects did in fact address the causes of land degradation and built community capacity for sustainable management of land resources.

446. OPS2 also examined the reporting by the GEF entities on the results achieved under completed and several on-going projects. It found this reporting to be generally consistent with the view points held by government officials and other stakeholders in the countries visited by OPS2. There was general satisfaction among the key officials in

these countries that the results reported by the GEF Implementing Agencies and the GEF Secretariat seemed objective and credible.

447. With regard to the halting or reducing the current downward global environmental trends it is too early to expect the GEF to have any significant impact, except for clear positive impact results 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 which are not considered highest priorities in the countries, and not likely to be able to measure results over a short time period. GEF's relatively short existence and the modest amount of funding available to it makes it unrealistic to assume that substantial global impact could be demonstrated and measured at this point in time.

448. Despite these limitations, it is the view of OPS2 that the GEF has already been able to produce a wide array of important project results which can be considered important process indicators towards achieving future positive environmental impact. We find that GEF is moving in the right direction and therefore that it deserves continuing support for its operational programs and activities.

449. **A second main conclusion is that the GEF has been serving the global environmental conventions well.** It is now 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 Programs reflect well the objectives and priorities of these Conventions. The response of the GEF to the Convention directives for supporting countries in meeting their reporting requirements has been satisfactory and pragmatic.

450. While in the past there have been problems in establishing adequate understanding of how GEF should respond to the rather broad guidance from the conventions and likewise for the conventions to understand how such action can best be placed in a larger sustainable development context, there is encouraging and considerable progress in this regard in recent years. However, OPS2 noted the need for close consultations with the conventions to ensure that current priorities are correctly interpreted and that guidance received from the conventions in previous years have been reflected in the current set of priorities. Some caution is also advised in taking on any new rounds of enabling activities from the same convention before the potential effectiveness of the current enabling activities have been fully assessed.

451. Since GEF is focused on serving international environmental conventions there is also a need at country level for close coordination between the GEF focal points and those of the conventions. There is increasing recognition for GEF enabling activities in the conventions but so far little attention to results achieved though other GEF funded activities. Over time it may well be important for GEF's ability to attract continuing funding support to have positive recognition of actual results achieved in the reporting provided by recipient country representatives to the conventions.

452. OPS2 points to the importance of GEF in assisting countries in mainstreaming the national reports/action plans to the conventions, such as National Biodiversity Strategies

and Action Plans and other enabling activities, within their national plans and sustainable development policies.

453. In terms of GEF's results so far it is the view of OPS2 that the GEF has performed well as a multi-conventional financial mechanism and has become an effective and credible facility for funding activities which have significant global environmental benefits.

454. **A third main conclusion is that the GEF must make improvements in how it operates at the country level.** OPS2 found that in-country understanding of GEF is still very weak and needs to be given urgent attention. The Country Dialogue Workshops which started two years ago have made significant contributions to providing better 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.

455. 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. Initiatives for projects were often taken largely through efforts carried out by the IAs and their own main contact points in the country. This is understandable when GEF was new and its operational objectives, strategy and policies were not well known. However, there is now a need for a better in-country mechanism for coordinating GEF activities. GEF funding must be considered within the context of national sustainable development policies and programs. It must also be focused on its own national priority areas for making contributions and fulfilling membership obligations to the international environmental conventions and related agreements.

456. Furthermore, the effectiveness of GEF coordination at the country level depends very much of the capacity of the Operational Focal Points and whether these positions are supported by effective consultation bodies or structures for cross-ministerial coordination and for more inclusive participation by other stakeholders outside the government. We commend GEF for taking steps to improve inter-country understanding of the best practices derived from country initiatives of this kind. 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.

457. **The fourth main conclusion is that stakeholder participation must be addressed more systematically.** 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 within the context of national programs. In this regard the operational experience and country dialogues of UNDP and the World Bank are of strategic importance to the GEF.

458. Stakeholders in many countries emphasized to OPS2 that root causes of biodiversity loss are best addressed when GEF's conservation objectives are rooted more strongly in the sustainable development context. Hence the GEF must give stronger emphasis to initiatives that promote sustainable use and benefit sharing of biodiversity

products and services. More broadly, OPS2 found evidence of good participatory processes, benefit-sharing and positive socio-economic impacts from a number of GEF projects in all the focal areas. Many GEF projects bring out encouraging evidence of stakeholder consultations.

459. However it is still difficult to assess stakeholder participation systematically. GEF projects would benefit from addressing socio-economic and livelihoods issues more systematically and in greater depth, including in the application of participatory processes and through the development of appropriate monitoring indicators, in order to address both participation and sustainability issues more effectively. In this regard gender issues and vulnerable groups, including indigenous communities need careful attention.

460. **The fifth main conclusion is that greater clarity needs to be provided to country and project stakeholders on global benefits and incremental costs.** 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', specifically for the biodiversity and international waters focal areas. OPS2 found that 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. However, OPS2 also found that there is confusion at the country level and among other stakeholders over definitions of global environmental benefits and incremental costs.

461. OPS2 finds it important that the GEF Secretariat needs to give high priority to operational guidance materials which clearly communicate how global benefits are defined at project design and also how they are measurable at the time of project completion. With regard to incremental costs it is now imperative to provide written guidance which can provide improved understanding and consistent application of this concept by country officials and many other project stakeholders. It is now imperative to provide written guidance which can provide improved understanding and consistent application of this concept by country officials and many other project stakeholders.

462. Progress on these points will facilitate a host of other improvements in GEF, such as operational policies, country participation and country driven-ness, reducing processing complexities and boosting opportunities for co-financing and GEF partnerships.

463. **The sixth main conclusion is that improvements are needed in processing GEF projects and in improving GEF visibility through better information products and communication.** OPS2 concludes that more efforts should be devoted to reviewing the processing procedures and the management of the project review processes in the GEF. There seems to be scope for improvements in the time needed for processing regular GEF projects, and even more so for processing MSPs. The latter should receive high priority for immediate corrective action.

464. Furthermore OPS2 found that there is poor visibility of the GEF, even on projects fully funded by it. 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.

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

466. **The seventh main conclusion is that the catalytic role of the GEF need more focus—through mainstreaming, co-financing and replication of GEF-funded activities.** OPS2 notes that from the outset it was considered important that the GEF becomes an effective facility for generating funding from other sources in order to meet global environmental objectives. Its Operational Strategy includes the principle of “seeking to maximize global environmental benefits, the GEF will emphasize its catalytic role and leverage additional financing from other sources.”

467. OPS2 found that serious attempts have been made in the three IAs towards mainstreaming *global* environmental issues in their operational programs. It recognizes that this is not an easy task. Development assistance agencies such as the UNDP and the World Bank have made progress in helping countries bring global environmental concerns to the attention of country dialogues on national development strategies, programs, and projects. These are major on-going efforts which will require continuing technical and policy advice before these issues can be considered to have ‘taken hold’ in each country and become an integral part of the desired sustainable development operational focus.

468. OPS2 considers the GEF's performance on co-financing quite modest. Among the completed projects only a few projects account for most of the co-financing generated under the completed projects. Co-financing commitments and efforts will need to be systematically assessed and monitored, such as in all project completion, termination and project reports, as well as in the annual interagency PIR process. As the GEF is now entering a new phase of its development, with an excess of demand for funds relative to funds available, it will be important to consider strict criteria for co-financing as part of project approvals.

469. Even if mainstreaming and co-financing should make only modest progress, there is still a potential for replication of results from GEF-funded projects under other financial and operational modalities. Since completed projects are still few, it will take time before one can begin to monitor and assess replication effects. However, it is difficult to ascertain such replication since it is not being systematically monitored in the GEF.

470. **The eighth main conclusion is that small and medium-size projects have produced good results and can be effective first steps in GEF programming towards subsequent larger projects.** Small- and medium-size projects seem to have a good success rate and under many circumstances may well be the best way to start off 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-size projects ideally suited for most of the needs related to their aspirations to contribute to the global environmental conventions.

471. OPS2 found that, with growing demand for GEF funding it would be important to allocate adequate resources to these programs. MSPs should be able to help test the opportunities for what can be actually achieved through GEF funding, before they are later considered suitable for up-scaling into full-size projects. This is also becoming an important point from a programming prospective since there is now an excess demand for GEF funding.

472. **The ninth main conclusion is that the GEF needs to become more extensively involved in the private sector.** OPS2 finds encouraging evidence of GEF efforts to engage the private sector more extensively in its activities on behalf of the global environment. However, OPS2 finds that many opportunities remain unexploited and that many barriers to a wider engagement of the private sector in GEF projects still exist. At the same time, OPS2 believes there are powerful rationales for seeking such engagement on a substantially increased scale. Council endorsement of expanded engagement of the private sector and explicit acceptance of the risks involved would help to remove uncertainties within the GEF. Clear guidelines from the GEF Secretariat on new modalities should follow, as well as substantially increased GEF Secretariat staff expertise in relevant areas—perhaps obtained by temporary seconded staff from the private sector.

473. **The tenth main conclusion is that the institutional roles and responsibilities of GEF partners need clarification and some modifications.** The GEF is a unique experiment in interagency collaboration among important agencies in the UN system and the World Bank Group. This multilateral system in general is not well known for many successful attempts at interagency collaboration in operational matters. OPS2 considers the GEF to be a particularly encouraging example of constructive interagency cooperation.

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

475. 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 GEF-SEC and the IAs. A better partnership is needed. A main thrust in the OPS2 findings and conclusions is 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.

476. Institutionally GEF must address some key issues of immediate concern. There is a clear need for strengthening the role and staffing capacity of the Secretariat . Efforts to strengthen capacities in the Secretariat must address clarifications of roles and

responsibilities, improved coordination, recruitment and staff training, as well as the need for new positions. First, immediate action on establishing a Country Support Team in the Secretariat. Second, this should be followed by a careful reassessment of the work programming and the budgetary implications arising from the findings and recommendations in this report.

477. The three IAs will continue to have very important responsibilities in GEF. They have built up valuable professional and technical expertise with high motivation towards GEF. Each of them has developed considerable operational experience and together as a team they have the international credibility needed for carrying out GEF- related tasks and for understanding the sustainable development context within which GEF activities must be placed. They will need assurance of some medium-term assurance of funding levels needed to maintain institutional commitment and staff capacity.

478. The new GEF Executing Agencies under the Expanded Opportunities policy will add capacities, but will need to be carefully brought into the GEF for involvements within specific focal areas where they have established credible technical and operational expertise.

479. Global environmental issues covered by the conventions need solid underpinning by recognized sources of scientific and technical advice. STAP serves a key role in this respect. We have noted significant improvements in the way it interacts with other parts of GEF. Its roster of experts need to be more carefully scrutinized for the way it is being used and for the manner in which it is being managed.

480. Effective monitoring and evaluation is central to a quality culture because of its contribution to continuous improvement. The GEF Monitoring and Evaluation function should strengthen its information dissemination and institutional linkages with IAs and Operational Focal Points to support adaptive management at a project scale, portfolio management at a program scale and a process of continuous improvement at an institutional scale.

481. Hence, OPS2 concludes that the GEF Council should take immediate steps towards exploring 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 it should examine in this regard. The need to strengthen the GEF institutionally is driven by many factors mentioned earlier—the expanding OPs, the expanding relations with new conventions and protocols, the inclusion of new institutional partners, such as the seven Executing Agencies, in helping GEF eligible member countries achieve effective country coordination, and in addressing country priorities in relation to its sustainable development programs and policies, and the increasing scarcity of GEF funds.

KEY RECOMMENDATIONS

THE GEF PARTNERSHIP

Recommendation 1 (Chapter 7)

482. *OPS2 recommends that the GEF manage delivery of global environmental benefits by initiating a paradigm shift from an approval culture to one that emphasizes quality and results. This should be achieved through an interagency system, based on partnership principles including countries, that uses interagency task forces to address program and policy issues and adopts broader team work to support project implementation, particularly during mid-term reviews and project evaluations.*

Recommendation 2 (Chapter 7)

483. *With respect to concerns raised when the GEF was established about cost efficiency, the accountability for services to be provided, and the need to monitor overhead costs, OPS2 recommends that the GEF strengthen its present fee system by establishing a standard set of tasks to be performed by the IAs with fee resources and 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. Fees should be transparently identified with reference to each project; be subject to audit; and be evaluated, in order to be treated consistently with all other project-related costs.*

Recommendation 3 (Chapter 6)

484. *OPS2 notes efforts made to mainstream global environmental objectives in the operational programs of the Implementing Agencies and recommends that each IA and each new Executing Agency continue to be held responsible for generating additional resources to leverage GEF resources. The emphasis should be on the total amount of additional funding, including co-financing, considered to constitute a reasonable cost-sharing arrangement for each project, rather than solely focusing on the quantity of co-financing forthcoming from an agency's own operational programs and government contributions. Co-financing should be monitored and assessed annually through the interagency PIR process.*

STRENGTHENING COUNTRY CAPACITY

Recommendation 4 (Chapter 5)

485. *OPS2 recommends that the GEF continue ongoing efforts to support capacity development of Operational Focal Points, the national GEF coordinating structures and the effective Country Dialogue Workshops. Furthermore, OPS2 recommends that the GEF Secretariat collaborate with existing IA and EA country efforts to empower these*

Operational Focal Points with improved information services about the status of project in the pipeline and under implementation, and that the GEF Council approve a special fund to be administered by the GEF Secretariat and executed in partnership with the national Operational Focal Points and the IAs/EAs for the purpose of organizing in-country GEF portfolio management workshops. Besides public and private sector stakeholders in on-going projects, these 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.

GEF OPERATIONAL ISSUES

Recommendation 5 (Chapter 4)

486. OPS2 recommends that the GEF adopt a cautious approach to funding any new rounds of Enabling Activities if requested by the conventions, until a stocktaking has been made of the full potential use of existing GEF support to the global conventions. This should include assessing their contribution to achieving global environmental benefits and their use of instruments such as national reports, national communications, and national action programs as strategic frameworks for GEF programming and project preparation. In partnership with IAs and EAs, the GEF Secretariat should be prepared to work collaboratively with a few countries which have been or are testing this approach; assess experience gained; and disseminate results and lessons learned before any new rounds of funding for future Enabling Activities are considered by the GEF Council. In this connection OPS2 also recommends that the GEF Council explore the scope for asking each country report directly to the relevant convention on the GEF support provided to the country.

Recommendation 6 (Chapter 4)

487. OPS2 recommends that in its dialogue with each convention that it supports, the GEF should regularly seek to update and clarify priorities in light of each new round of guidance given to it.

Recommendation 7 (Chapter 6)

488. 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 inter-agency task force to link global environmental benefits and incremental costs in a negotiating framework for use between partner countries and the GEF in order to reach agreement on incremental costs. This should be tested in a few countries, and the experience gained used for its revision before it is widely communicated as a practical guideline for Operational Focal Points, IAs, and GEF Secretariat staff.

Recommendation 8 (Chapter 3)

489. OPS2 recommends that the GEF should review and rationalize the objectives and number of OPs in the light of lessons learned, and in order to ensure consistency and a clearly understood focus on delivering global environmental benefits. Furthermore, to ensure quality outcomes that focus on global environmental benefits, OPS2 recommends that special attention be made under each Focal Area to make sure that scientific analysis is being continually used as a foundation for planning and implementing new projects. The science-based trans-boundary diagnostic analysis (TDA) should continue to be the basis for facilitating regional agreements on actions to address threats to international waters; and for the development of strategic action programs (SAP). OPS2 further recommends the extension of the TDA-SAP approach to land degradation, should it become a new focal area.

Recommendation 9 (Chapter 6)

490. *OPS2 recommends that an interagency task force be organized by the GEF Secretariat for the purpose of finding 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)

491. *OPS2 recommends that the GEF place greater emphasis on sustainability and the potential for replication in project design and implementation, and that it measure project and program performance in this respect during evaluation. In particular, OPS2 recommends that the GEF should engage the private sector more effectively in all phases of the project cycle and create an enabling environment by developing more specific, market-oriented strategies and by expanding GEF operational modalities to enable timely interaction with the private sector.*

CAPACITY OF THE GEF SECRETARIAT

Recommendation 11 (Chapter 7)

492. *OPS2 recommends that the GEF Council makes commitments at the earliest opportunity to strengthen the professional resources and management capacities of the GEF Secretariat in the following key areas:*

- *Establishing a separate unit (Country Support Team) to service national Operational Focal Points, resourced with adequate regional knowledge; language capacity; and the competence to provide effective, prompt operational and procedural guidance;*

- *Developing and communicating operational modalities to engage effectively the private sector— by recruiting a senior-level private sector adviser and also considering secondments from an IA 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 in order to make more precise recommendations to the GEF Council of staffing needs, including ensuring functional capacity for strategic portfolio management, assessing the expanded capacity needed to serve new conventions and protocols, enhancing the capacity to address social issues strategically; effectively addressing participation, gender and poverty alleviation as they relate to sustainable global environmental benefits; and selectively participating in field missions to on-going projects; and,*
- *Contracting an external management review of current management systems and future management needs in the GEF Secretariat.*

Recommendation 12 (Chapter 7)

493. With due respect for the IAs overall responsibility for project implementation and evaluation, the GEF Council should strengthen the monitoring and evaluation functions of the GEF M/E Unit to include supporting partnership in mid-term reviews and project evaluations particularly in regard to providing advice on TORs for mid-term reviews, project termination and final project evaluation, in making contributions to the review of these reports, in reviewing and compiling the results reported from project evaluations, and in arranging adequate feed-back to all GEF partners.

STRENGTHENING GEF'S INSTITUTIONAL CAPACITY AND STRUCTURE

Recommendation 13 (Chapter 7)

494. To strengthen the GEF system for providing scientific and technology inputs, OPS2 recommends that STAP members be appointed for staggered terms, and that STAP be asked to explore mechanisms for improving the use of S&T expertise within the GEF and to recommend appropriate changes to the present system for project reviews and for maintaining the roster of experts.

Recommendation 14 (Chapter 7)

495. To support evolution of the GEF to a quality- and results-oriented institutional culture and 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 considers a review of options that will strengthen its institutional structure, including the option to provide it with 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**
- 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. OPS1

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. OPS2 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.¹ In the years since OPS 1 was undertaken, the GEF portfolio has matured sufficiently for OPS2 to focus on initial impacts.² 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.² 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 OPS2.

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:

¹ 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.

² 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 meeting in November 2000 meeting.

- (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?
- (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 OPS2 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 of 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.³

³ Capacity development results may relate to the individual, organizational or systemic level.

- (d) With reference to GEF's public involvement policies, examine the participation of national or community interest groups, NGOs and the private sector.
- (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 funding⁴.

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.

(See GEF M&E Working Paper No. 5, 2000.)

⁴ 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 6080 pages plus appendices.

Proposed Timetable

Activity	Date
• Approval of Term 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 the 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 he headed the Environment Division for the Africa Region.

James Seyani

James H. Seyani is a Malawian Systematic Botanist & Conservation Biologist, and works for the Commonwealth Secretariat in London as Chief Programme officer (Biodiversity). His experience include 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, benefitsharing, indigenous knowledge, and impact assessments. James 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 the South Asian Conservation Foundation (SACF), a non-profit organization with its HQ in Washington DC. SACF supports field conservation programs in South Asia with a primary focus on building Government NGO partnerships to conserve wild habitats.

Thomas 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 appraisal 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 planning 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 Energy & Development Research Group (EDRC), University of Cape Town, South Africa, and is the Co-Chair of the 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, 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 DC. He has an institutewide 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 longterm sustainability issues. He was formerly Director of the Program in Resource & 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 focussed 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 & 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 of land degradation, watersheds and river basins and forest resources.

John'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. Geographically, 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 Postal address: Suite 510 100 Maryland Avenue, NE Washington DC 20002, USA
Ogunlade Davidson (Sierra Leone)	Climate Change/ Ozone	odavidson@worldbank.org Postal address: Energy & Development Research Centre Univ. of Cape Town PO Box 34178, Rhodes Gift 7701 South Africa
Allen Hammond (USA)		Postal address: c/oM&E GEF Secretariat 1818 H St. NW Washington DC. 20433 USA

ANNEX 3

OPS2 METHODOLOGY

Overall Approach

The starting point for the Study Team's approach was to verify reported progress in achieving tangible results and impacts in the field. Our main sources of information were four Focal Area Program Studies, and an external evaluation report of the Ozone Program. We also examined evaluation reports from completed projects, as well as reports and documentation from the Implementing Agencies regarding on-going 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 various Country Visits where 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 impact and achievements was fed into a macro level strategic evaluation of the cumulative effect of the GEF portfolio in each of its focal areas: (i) on institutions; (ii) on process; and (iii) in relation to crosscutting 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 multi-disciplinary 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 all available from GEF as published reports and are also available from:

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 NGO/ GEF/ 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; GEF Operational Focal Points; NGO representatives; NGO Regional Focal Points; private sector representatives, the Small Grants Program National Focal Points; and
- field visits to selected in-country projects; meetings, interviews and focus group discussions with GEF project implementation teams and communitylevel project stakeholders.

In addition, the team used Goal Attainment Scaling to illicit 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 and details are presented in Annex4.

Country Visits and Regional Consultations

Supplementary information from Implementing Agencies and key stakeholders was collected during the period March-May 2001, in a series of Country Visits and to selected GEF project sites to verify reported project results and impacts. In addition, inputs from key partners was sought through six regional meetings with key partners held in Eastern Europe (Romania); Africa (Senegal and Nairobi); the Caribbean and Central America (Jamaica and Mexico); Asia and the Pacific (Bangkok) during MarchMay 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 which involved two to four team members for each visit, covering eleven countries. The process for country selection is set out below.

Suggestions were sought from the GEF Secretariat and the Implementing Agencies on 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) complete; (b) had substantial on-the-ground implementation experience; or (c) which offered significant opportunity 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, after soliciting suggestions from all three implementing agencies and from 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 - 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 fifteen countries. The shortlist was discussed with the GEF Secretariat, following which a final selection of eleven countries was made by the Team alone: *Argentina, Brazil, South Africa, Romania, Jordan, Senegal, Jamaica, Nepal, Uganda, China and Samoa*. 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 the degree of country ownership in GEF activities; the relevant linkages between the national and local recognition of project results and impact to the country's participation in the Conventions; the effectiveness of stakeholder involvement (with specific reference to the GEF policy on public involvement) and in-country operational effectiveness of GEF; and 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:

- **preparation of and participation in country visits** - including facilitating and setting up meetings with the government and other key stakeholders, accompanying the study team during country visits, facilitating focus group discussions, and related follow-up activities;
- **carrying out preparatory studies** – including collection of background information on engagement with the private sector, activities in selected GEF focal areas, an overview of press coverage of GEF-financed projects and a review of project-level participation; and
- **preparation of 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 was scheduled for the OPS2 team during the period March-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 only)
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 will be made in addition to the country visits:

Istanbul	March 26-30 – meet with Black Sea Secretariat
Hungary	April 9-13 – visit Energy Efficiency Co-Financing Program
Bulgaria	April 9-13 – visit Energy Efficiency Strategy Project
Lebanon	April 9-13 – visit Strengthening of Biodiversity National Capacity Project
UNEP, Nairobi	April 30-May 4
Kenya, Tanzania	May 7-11 – visit Lake Victoria Environmental Management Project, Pollution Control and other Measures to Protect Biodiversity in Lake Tanganyika Project, 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 advise 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 policy-making 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 has 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 crosscutting issues. They also participated actively in a joint collaborative and consultative process in order to arrive at a synthesis of 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. A further 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 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 after completion of the country and project visits and the documentation reviews;
- third in early August to formulate the main findings and recommendations arising from the study; and
- fourth in mid-September 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 is verification of reported results and impact of GEF activities. Country and project visits were used to ascertain the extent to which reported project results and impacts can be verified at country and project levels. Issues such as the degree of country ownership, the extent of recognition of these 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 synthesised its main findings from the country and project visits and the regional consultations, and reviewed and began 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 | Feb. 9 |
| | Visit to UNEP-HQ | Feb.23-27 |
| (ii) | Documentation Review | Feb-Mar |
| (iii) | Consultation at the CBD SBSTTA6 meeting, Montreal | Mar 13, 2001 |
| (iv) | Country Visits, including regional consultations,
project field visits | end Mar-May |
| (v) | Assessing findings from document reviews
and country visits | May-June |
| | Consultation at Council meeting | May10 |
| | Consultation with GEF partners | May-June |
| | Second team workshop | June18-29 |
| (vi) | Formulation of main findings | July |
| | First draft (internal to team) | July 29 |
| | Third team workshop | July 30-Aug 5 |
| (vii) | Report writing | Aug |
| | Second draft to GEF management and IAs | Aug 20 |
| | Comments on proposed country references in final report | |
| (viii) | Review of second draft | Aug 21-Sept 7 |

- | | | |
|--------|--|--------------|
| (ix) | Preparation of third draft for submission to third GEF Replenishment Meeting | Sept 10 - 26 |
| (x) | Third Team Workshop | Sept. 17-19 |
| (xi) | Presentation to GEF replenishment meeting, Edinburgh | Oct. 11-13 |
| (xii) | Completion of final report | Nov-Dec |
| (xiii) | Final report | December |
| (xiv) | Translation/Publication | Jan-Mar 2002 |

GOAL ATTAINMENT SCALING (GAS) DATA

The OPS2 team used Goal Attainment Scaling to illicit 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 summarised 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 OPS2 team because it gave an opportunity for participants in OPS2 Country Visits to make a tangible contribution to evaluation of the overall performance of GEF.

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’ (how successful we were) against the ‘goals’ that are trying to be achieved. 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.

You need to state what the expected outcomes are for each goal before you start work – it’s like creating benchmarks based on the current level of understanding and the expected returns you want from an investment.

The real strength of goal attainment scaling is that it makes your best guesses of what is expected *conscious*, rather than implicit. This is partly because project stakeholders provide their conscious perceptions and partly because your implicit expectations today will alter over time even though you may not be aware of it. It also helps institutions consider *what do I really expect to achieve for this investment or this part of a program?*

GAS Data
for OPS2

Country
Summary

Ownership

Frequency
of GAS
Score

	1	2	3	4	5	n
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

	1	2	3	4	5	n
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

	1	2	3	4	5	n
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

	1	2	3	4	5	n
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

As expected

Better than n

	expected				expected	
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

Processes	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

Hisham Khatib	World Energy Council PO Box 925387 Amman, Jordan Fax: 962 6 5698556 Ph: 962 6 5621532 Email: khatib@nets.com.jo
Zhang Kunmin	China Council for International Cooperation on Environment and Development No. 115, Xizhimennei Nanxiaojie Beijing, 100035 China Fax: 86 10 66126793/66151762 Email: Zhangkunmin@hotmail.com
Jose Goldemberg	Universidade de Sao Paulo Av. Prof Almeida Prado 925 Sao Paulo, 05508-900 Brazil Fax: 55 11 3818 5056 Ph: 55 11 3818 5053 Email: Goldemb@iee.usp.br
Akiko Domoto	Akamon Abitashion No. 805 5-29-13 Hongo, Bunkyo-ku Tokyo 113-0033, Japan Fax 81 3 35068085
Corinne Lepage	40, rue de Monceau F-75008 PARIS Tél : (33) 1 56 59 29 59 Fax : (33) 1 56 59 29 39 E-mail : paris@huglolepage.com

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 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 nonconfidential 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.

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-regional⁵ (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-regional⁶ (December 5-8, 2000), Cuba

⁵ All member states of the Organization of Eastern Caribbean States as well as Barbados participated in this sub-regional workshop hosted by Dominica.

⁶ Bahamas, Guyana, Jamaica, Suriname, and Trinidad and Tobago participated in this subregional 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 subregional 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. 15Inf. 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 knowhow – 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.⁷ 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.

⁷ *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.⁸ A review of experience with solar photovoltaics projects, including activities supported by key multilateral and bilateral agencies, has also been completed last year.⁹ 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 .

⁸ Global Environment Facility, *Experience with Conservation Trust Funds*, Evaluation Report #1-99, January 1999.

⁹ 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 UNwide 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 longterm 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.¹⁰

Regarding recommendation 14 (b), the evaluation of experience with conservation trust funds provided recommendations to guide further GEF support of these funds¹¹.

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

¹⁰ Scott Smith and Alejandra Martin. *Achieving Sustainability of Biodiversity Conservation: Report of a GEF Thematic Review*. Monitoring and Evaluation Working Paper 1. July 2000.

¹¹ *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 "successstory" 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 their 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 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 cofinancing.

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 UNDPs 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 multicountry 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.)*