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GEF SECRETARIAT MANAGED PROJECT REVIEW 2002

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I. Introduction and Background

1. The Secretariat Managed Project Reviews (SMPR) has been adopted as a GEF M&E modality for three reasons: to complement Project Implementation Review (PIR) process, to enhance the Portfolio Performance Review (PPR) and the GEF's "Driving for Results"[1] strategy, and to follow up on an OPS2 recommendation that the GEF Secretariat should strengthen its participation in the regular evaluations and monitoring activities of projects.

2. The SMPR was conducted as a pilot exercise during the 2002 calendar year. The GEF M&E unit led the exercise with support from and in collaboration with GEF Secretariat (GEFSEC) focal area teams, Implementing Agencies' (IAs) staff and external independent consultants. The SMPR was intended to be complementary to the existing review, monitoring and evaluation mechanisms of the IAs and GEFME. It was implemented in coordination with the IAs' existing monitoring and evaluation efforts. Field visits were made in conjunction with IAs mid-term reviews.

3. The overall purpose of the SMPR is to assess whether projects are implemented in conformity with project objectives and GEF policies, standards, and procedures, especially concerning attainment of global environmental benefits and incorporation of lessons learned to improve portfolio quality. In addition, the SMPR provides added assurance to the GEF Council and other partners that GEF is moving forward in implementing its "Driving for Results" strategy. The modality used for implementing the SMPR in the pilot phase was the review of 15 projects selected according to specific agreed criteria, described below.

4. In particular, the scope of the SMPR is to review whether GEF projects are responsive to and conform with:

- GEF's policies, operational strategy, and programs, especially those elements related to achieving results and making impacts related to global environmental objectives;
- GEF project review criteria, specifically country ownership, sustainability, replicability, stakeholder involvement, monitoring and evaluation, cost-effectiveness, and financial plans;
- Guidelines related to project feedback and follow-up to comments by GEF entities (GEF Council, GEFSEC, IAs, STAP); and
- Coordination needs among GEF partner agencies.

5. A further important objective of the SMPR is the extraction of lessons for improving the quality of the current and future portfolio. The SMPR is based on the GEF Project Review Criteria[2]: (a) sustainability, (b) stakeholder participation, (c) replication, (d) financial planning; (e) cost-effectiveness, (f) monitoring and evaluation, and (g) country ownership. In addition, the SMPR included a review of the implementation approach utilized for the project. These eight criteria are referred to as the SMPR review criteria.

6. This document presents a summary of findings based on the review of the 15 SMPR projects selected for this year. Given the relatively small sample of projects the aggregated

1 GEF/C.16/5. Driving for Results in the GEF: Streamlining and Balancing Project Cycle Management.
2 GEF/C.16/Inf.7. GEF Project Cycle.

analysis presented here cannot be interpreted as a representative of the entire GEF portfolio or by focal area. The report provides the GEF Council with a summary of findings and lessons from this year's implementation of the SMPR. All of these findings have been incorporated, as appropriate, into the Project Performance Report (PPR) also presented to Council at this time.

7. The report has six sections: an introduction and background; a description of the methodology; an analysis of findings by SMPR review criteria; overall assessments; recommendations to be incorporated into the 2002 PPR; and lessons from SMPR 2002. The SMPR reports present ratings of the SMPR review criteria which is not directly comparable with the ratings presented in the Project Implementation Reviews (PIRs) proposed by the Implementing Agencies.

II. Methodology

8. The first year of SMPR implementation extended from June to December 2002. Fifteen projects were included in this year's sample, which was selected by the GEF M&E unit in consultation with GEFSEC and all the IAs. The sampling process had two main steps: (a) determining if a project was "eligible" for SMPR and (b) making selections according to specific criteria. The first step applied two main eligibility criteria: projects had to be at a mid-point of implementation (that is, financial disbursements between 10 and 60 percent, preferably with a mid-term review during the SMPR 2002 implementation period) and had not been included in any previous GEF M&E studies. Once the list of "eligible" projects was created, the sampling was refined through two additional criteria. The first one was to obtain a proportional representation of projects according to the distribution of active projects by IAs, focal areas, and regions. The second criterion was to select projects that reflected various modalities of GEF's private sector engagements, and/or illustrated various modes of participation of the intended beneficiaries. The sample of 15 projects is not a representative or statistically significant sample of the entire GEF portfolio both due to the small sample size as well as the purposeful selection of projects with distinct features. Annex I provides detailed information on projects selected for review in 2002.

Table 1. Distribution of projects according to focal areas and IAs

Focal Area/IAs	World Bank	UNDP	UNEP	Total
Biodiversity	4	3	0	7
Climate Change	2	2	1	5
International Waters	1	1	1	3
Total	7	6	2	15

9. The reviews were conducted through field visits or desk reviews by panels formed specifically for the SMPR. The review panels were composed of 3 or 4 highly experienced members drawn from the GEFME, GEF Secretariat's focal area teams, external consultants and the IA not implementing the project. The IA responsible for implementing the project was represented by an observer who would also act as a resource person to the panel.

10. The desk reviews were based on existing and readily available documentation such as project documents, inception and monitoring reports (i.e. individual PIR reports, annual project reports, supervision mission aid memoires, mid-term and other review reports, etc.). Several meetings and teleconferences were held with project management and other stakeholders

(government officials, NGOs, etc.). The field visits were conducted in conjunction with the projects' mid-term reviews, which were organized by the IAs. In addition, the panel reviewed extensive documentation provided by project management teams. Field visits usually lasted for about 10 days, which included meetings with the government and a large number of stakeholders and beneficiaries of project activities.

11. A questionnaire was specially designed for the SMPR exercise. This questionnaire was used as the main tool to guide the panels' discussions, data collection, analysis, and performance ratings.[3.] The panel convened and filled out one consolidated final SMPR questionnaire for each project reviewed.

III. Summary Analysis by SMPR Review Criteria

12. The following section presents the major findings related to each of the eight SMPR review criteria based on the aggregate analysis of the 15 SMPR projects selected for this year. Where relevant, findings are broken down by focal areas for analysis, and in some cases, where possible, analysis is broken down by the review approach taken (i.e., desk reviews vs. field visits).[4]

Project implementation approach

13. Projects reviewed under the SMPR were first assessed in terms of their "implementation approach." This assessment considered the following elements:

- Any changes to the project design since CEO endorsement and whether these changes had any impact on its objectives;
- Whether relevant comments from the GEF review process were addressed during project implementation;
- Whether risks to project performance identified at project preparation had materialized and whether appropriate adaptive management approaches had been taken; and
- Types of partnership arrangements utilized for project implementation.

14. SMPR panels found that the reviewed projects were performing well in two areas in particular: creating partnership arrangements for implementation, especially with government departments, executing agencies, and private sector entities[5]; and identifying potential risk factors. On the other hand, two areas of project implementation stood out as problematic: appropriate identification and implementation of adequate mitigation measures for risks, and adequate responsiveness to the various comments made at the preparation stage by various GEF entities.

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[3] The rating system used was: Highly Satisfactory, Satisfactory, Marginally Satisfactory, Unsatisfactory, and Not Applicable.

[4] It was concluded that no major findings were particular to the special selection criterion regarding GEF's private sector engagement and participation of intended beneficiaries. Nonetheless, SMPRs from this year's cohort will be used, when appropriate for the two special thematic evaluations under implementation by GEFME: private sector and local impacts.

[5] This also includes consulting company partnerships and is thus not limited to "private sector" focused projects.

15. Panels suggested that the best implementation approaches and well-managed projects had the following characteristics: clear project objectives, proper M&E tools (i.e., baseline data, strong logical frameworks, indicators, etc.), good communication and joint decision-making mechanisms to ensure participation and cooperation among various partners, clearly defined roles and responsibilities among partners, thoroughly assessed country and partner capacities, attention to appropriate financial sustainability arrangements from project design, and coordination among IAs.

16. Regarding changes in objectives, outcomes, or components since CEO endorsement, panels found that about half of the projects in the cohort (8 out of 15) experienced some changes. The major changes related to objectives, emphasis on new or different activities or components, and expected financing. Some of the main reasons for these changes were the need to increase the number of participants in project activities and the need to create stronger linkages with national priorities. Whereas most changes were made within the scope of the Implementing Agencies' adaptive management approach, some projects have undergone significant changes. Panels concluded that there is no clear guidance from the GEF Secretariat on how to deal with significant changes, and that the GEF should develop guidelines on how to address such changes after CEO endorsement.[6]

17. Through the GEF review and approval process, projects received comments from different GEF partners, IAs, the Scientific and Technical Advisory Panel (STAP), GEF Secretariat focal area teams, and Council members. The panels were asked to rate the adequacy with which these comments have been incorporated and followed up during project implementation. The panels' assessments were mixed for the projects reviewed. They concluded that about half of the projects reviewed (8 out of 15) had incorporated or followed up on comments while the other half had not adequately done so. In the latter case issues addressed by the comments remained unresolved or had worsened at the time of the SMPR review.

The Successful Implementation Approach of a Climate Change Project - Energy Efficiency Market Development in Côte d'Ivoire

The global environmental objective of this World Bank implemented project is the reduction of GHG emissions from small and medium-sized industrial enterprises and the tertiary sector enterprises in general, by reducing the energy cost per unit of production. The project successfully engaged four companies (two large companies each with an existing client base to which it provides maintenance support, plus two smaller dedicated ESCOs) in developing the ESCO business in Côte d'Ivoire. High-level government support has been garnered for the project. The strategy of focusing on no-cost/low-cost measures with short payback periods seems appropriate for the emerging energy-efficiency market in Côte d'Ivoire.

The project partnerships, under the stewardship of the Francophone Energy and Environment Institute (IEPF), seem to be well established. IEPF has played an outstanding role in shepherding this project through approval and implementation, and continues to play a highly effective role in overall project execution and management of the relationships between the various project actors. The NGO - Econoler International - appears to be an engaged and effective project manager. The holistic approach to energy efficiency is an integrated and pragmatic approach to developing energy-efficiency markets in countries such as Côte d'Ivoire. In addition, encouraging projects to seek other sources of financing and using a revolving fund as a last resort are sound approaches to developing local financial markets.

18. The most common risk identified in this year's SMPR was related to the limited capacity for implementation of partner government institutions, organizations, or communities. Other risks identified included inadequate communication, coordination, and cooperation between project partners, including unclear roles and responsibilities; insufficient government political ownership; and poor financial sustainability of outcomes. The panels concluded that about half of the projects had addressed project risks satisfactorily and were using adaptive measures to mitigate and address the main project risks.

19. The SMPR panels also assessed partnerships arrangements[7] for project implementation. From the analysis of the 15 projects reviewed, certain partnerships have worked better than others. The majority (over 75 percent) of partnership arrangements between the projects and government bodies were rated as either "satisfactory" or "highly satisfactory." Partnership arrangements with the Implementing Agencies were also rated. Although nearly half of the partnership arrangements with UNDP, the World Bank or UNEP were assessed as 'satisfactory', an equal amount of partnership arrangements with the IAs were assessed as less than satisfactory, with a third assessed as 'unsatisfactory'. In cases where IA partnerships were given less than satisfactory ratings, this was due to some conflict between the IAs' role as a development agency and a GEF implementing agency (e.g., Cambodia, Belize, and Georgia projects), a lack of adequate supervision, or the failure of IA co-financing to materialize as expected (e.g., East Asian Seas and Syria projects). Although there were few partnership arrangements with the private sector, they have been assessed by the panels as being satisfactory or better. In fact, half of the partnerships were found to be "highly satisfactory." The majority of partnership arrangements with executing agencies were also found to be satisfactory or better. In terms of partnership arrangements with NGOs, almost two-thirds of the project partnership arrangements were found to be satisfactory.

20. Regarding the overall rating for this review criterion, panels found that seven of the 15 projects reviewed received a satisfactory rating, including one international waters that received a highly satisfactory rating.

Sustainability

21. Sustainability addresses factors that influence the continuation of project benefits and outcomes after completion of project implementation (that is, after GEF funding ends), within or outside the project domain.. This section of the report explores the different sustainability strategies under implementation and their links to the objectives of the particular project reviewed. Relevant factors affecting sustainability within GEF projects include:

- Developing and implementing strategies for sustainability;
- Ensuring financial support from the public and private sectors, income generating activities and use of market transformations to promote the objectives of the project;

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[6] Changes should be encouraged when done within the context of an appropriate adaptive management.
[7] For purposes of this analysis, partnership arrangements between the entity responsible for project implementation and other entities have been aggregated into five categories of partnerships: those with Government(s) (which includes partnerships with particular ministries, or various governments in regional projects), IAs, Private Sector, Executing Agencies and NGOs.

- Developing proper organizational arrangements by the public and private sectors;
- Developing proper policy and regulatory frameworks that further project objectives;
- Developing institutional capacity (systems, structures, staff, expertise, etc.);
- Identifying and involving “champions” (i.e., individuals in government and civil society that can take the lead in securing sustainability of project outcomes); and
- Encouraging social sustainability by mainstreaming project activities into the economy or community production activities.

22. Projects reviewed have taken various key positive steps for ensuring sustainability, such as:

- Establishing financial mechanisms such as government cost-sharing, and setting up a context for further private investment (Africa Oil Spill, East Asian Seas, Micronesia, UNEP-Global, and Sudan projects);
- Building political support and country ownership by incorporating key stakeholders, using “bottom-up” participatory activities, and ensuring that committees participating in project implementation continue activities after project closure (East Asian Seas, Micronesia, Vietnam, and Brazil Pantanal projects);
- Providing support for the formulation of municipal, national, or regional policies or plans (East Asian Seas, Micronesia, and Sudan projects);
- Identifying “champions” and engaging stakeholders and institutions that could replicate or continue project activities after GEF project completion (Belize, Côte d’Ivoire, East Asian Seas, Czech Republic, and Vietnam projects);
- Disseminating information on project’s impacts and transferring knowledge to stakeholders, thus educating a critical mass of people at different levels (i.e., businesses, municipalities, ministries, NGOs) (Czech Republic, Poland, and Vietnam projects); and
- Supporting capacity development and training designed to provide skills and information to allow for project outcomes to be sustained. (Czech Republic, East Asian Seas, Micronesia, Poland, Vietnam, Brazil Pantanal, and Georgia projects).

23. Nevertheless, it is clear from the projects reviewed in this year’s SMPR that sustainability is an area that requires further attention. This is even more relevant for these projects since they are at the mid-point of implementation. The projects fared best when it came to the less complex building blocks of sustainability, such as ensuring adequate organizational arrangements, involving “champions,” or making use of the market. Other issues dealing with financial sustainability were more challenging, such as securing financial and economic support from the private sector and, above all, from income-generating activities. This highlights the need for further efforts to identify innovative approaches for engaging these actors and further documenting and disseminating good practices in that respect.

24. SMPR panels found that all biodiversity projects were rated less than satisfactory for this criterion, while all international waters and climate change projects were rated satisfactory or better. Issues such as the poor capacities of recipient organizations, institutions, communities, and individuals to continue conservation and sustainable management of biodiversity resources help explain the lower ratings for sustainability among biodiversity projects. In addition, there

are projects, such as in Vietnam and Georgia, where infrastructure is being developed within the boundaries of protected areas supported by the projects, and thus threatens the sustainability of biodiversity conservation and sustainable use in these areas.

25. The SMPR provided the following lessons on achieving sustainability:

- During project preparation and design, a clear plan must be prepared on how to take into account all the dimensions of sustainability (ecological, social, institutional, and financial).
- Project staff must have appropriate skills to deal with financial sustainability from the outset of a project.
- Sustainability of private sector endeavors can only happen when external support and subsidies can be eliminated without adversely affecting project outcomes. In some cases, direct GEF support for such activities (i.e., subsidies) might reduce the sustainability of the expected outcomes.
- Income-generating activities need to show short-term benefits to the local communities to gain their support in conserving biodiversity.
- Long-term sustainability of project outcomes built around demonstration investments requires a credible and dependable incentive framework that renders technological change and commercially viable conservation of resources.
- A gradual "bottom up" approach to establishing regional organizations in international waters projects can provide a strong sense of ownership among participating governments, thereby supporting and sustaining a regional process. Drawing on local and national institutions (as opposed to international consultants) as resources for capacity building helps ensure that most of the knowledge and lessons generated by the project remain with the intended beneficiaries.

Successfully Addressing Sustainability: The Western Indian Ocean Islands Oil Spill Contingency Planning (Africa Oil Spill) – A Regional World Bank Project in International Waters

The global environmental objective of this project was to protect the mainly pristine aquatic ecosystems and rich biodiversity of the Western Indian Ocean Islands (WIO: Comoros, Mauritius, Madagascar, Seychelles) from the risks of oil spills in harbors and along the high traffic oil routes of the WIO and in particular of the Mozambique Channel. This project was assessed as 'highly satisfactory' in most of the factors affecting sustainability. This is due to the following:

- Sustainable financing mechanisms were established in all countries.
- National industries upgraded their capacity to respond to Tier 1 oil spills.
- Conventions were ratified by all four island countries and national legislation relevant to the project's objective was harmonized across all countries.

The project used media campaigns for overall public information and to gain support for oil spill response capacity, and outreach to costal communities for support in the quick detection of oil spills. Sustainability was an objective of the project and was pursued vigorously throughout. Project outputs were directly related to institutional changes, capacities, financial mechanisms and legal reforms that were likely to be in place at the end of the project.

Country ownership and drivenness

26. An issue very much associated with sustainability is country ownership and drivenness. At a minimum, all GEF projects are required to be endorsed by the GEF national operational focal point. Furthermore, one of the 10 operational principles of the GEF is that GEF-funded projects should be country-driven and based on national priorities, and should be designed to support sustainable development, as identified within the context of national programs. Questions within this section of the SMPR questionnaire were based on these two principles.

27. The level of country drivenness and ownership was analyzed by evaluating project consistency with IA strategies such as World Bank Country Assistance Strategies (CAS) and UNDP Country Cooperation Frameworks (CCF) These documents are the major outputs of the IAs' dialogue with the countries when discussing national development. In addition, the panels evaluated project consistency with national development plans (and sectoral plans) in recipient countries. All projects but one were rated satisfactory or highly satisfactory in terms of consistency with IA strategies, and all but one were also rated as being consistent with national development plans.

28. Country ownership was found satisfactory in 10 out of 15 projects. It was demonstrated in the form of government financial or in-kind support; overt government decisions and conducive policy frameworks; agreements that would tend to support such projects as high national priorities; and participation in project steering committees or other types of high involvement in project activities. Some of the major findings from the panels regarding country ownership and drivenness were:

- Proper media and public relations campaigns involving and targeting the highest political level are important tools to promote country ownership;
- The build up of public and political support through a participatory, multi-stakeholder process in the early phases of a project can greatly enhance political commitment;
- Country ownership and commitment is enhanced when there is good symbiosis between the project's and the government's priorities;
- Private sector companies can be a catalyst in enhancing the dialogue with governments to further country ownership of GEF activities that involve the private as well as the public sector; and

- Greater use of local and national experts will also enhance country ownership.

Lessons in Country Ownership
Conflicting Government-supported Activities in the Context of Biodiversity

The projects in Vietnam and Georgia demonstrate the importance of strong government commitment to achieve the objectives of GEF projects. In both cases, the achievement of project objectives are in doubt because of the governments' support to conflicting economic development projects within the boundaries of the GEF-funded project areas.

In Vietnam, the project's global environmental objective is the conservation, protection, enhanced management, and overall sustainability of biological diversity, through improving conservation management and alleviating threats at three sites. However, the three project sites are likely to be affected by major infrastructure developments (a dam in Na Hang, roads and resettlement in Yok Don, and a possible dam and roads in Ba Be). Although, there is evidence of good political support and commitment to this project, institutions participating in the implementation of the GEF project did not include representatives of ministries responsible for the above mentioned national development efforts. Because of these issues, the country ownership rating is unsatisfactory.

In the case of Georgia, the global environmental objective is to assist the country in meeting its international commitments under the Black Sea Environmental Program and to implement priority actions outlined in the Georgia Biodiversity Strategy/Action Plan, which includes conservation of biodiversity at sites of international significance on Georgia's Black Sea coast, such as the Kolkheti and Kobuleti wetland Ramsar sites. Although it seemed that this project had strong political support, the government was also supporting the Kulevi Oil Terminal within the project site boundaries and without performing an environmental impact assessment. This has damaged the credibility of Georgia to meet its international obligations under the Ramsar Convention.

These two projects demonstrate that while commitment from ministries responsible for natural resources is essential, it must be complemented by strong commitment and buy-in from other ministries. In Vietnam, it was found that a steering committee involving the relevant line ministries was not sufficient to ensure integration of critical development issues. Development objectives can override conservation objectives, therefore the potential conflicts between development and conservation have to be addressed during the design and approval stage of the project. There is a need for strong and continued government support for GEF projects from numerous branches of government.

Stakeholder participation

29. The SMPR section on stakeholder participation included questions regarding modalities of engaging key stakeholders as well as the flexibility of project implementation to accommodate different types of participation. Based on the GEF policy document "Public Involvement in GEF-Financed Projects," public involvement consists of three related and often overlapping processes: information dissemination, consultation, and stakeholder participation. Stakeholders are defined as the individuals, groups, or institutions that have an interest or stake in the outcome of the GEF-financed project. The term also applies to those affected by a project. Stakeholder participation is one of the 10 operational principles of the GEF. Effective public involvement is critical to the success of GEF-financed projects.

30. Most projects were found to be flexible in terms of stakeholder participation activities and modalities to ensure stakeholder participation in project implementation. Flexibility refers to the project's capacity to adjust to the inclusion of new stakeholders in the process, adjust to cultural sensitivities, and set a process to deal with unexpected emerging conflicts between stakeholders to ensure their participation in project implementation. The adequacy and level of

documentation of stakeholder participation activities and methodologies was also assessed as being mostly positive for most projects reviewed.

31. The aggregate analysis of this criteria shows that most panels considered stakeholder participation to be satisfactory or better (13 out of 15). No other SMPR criteria scored equally well, and therefore "stakeholder participation" can be considered an overall strength of projects reviewed through the SMPR process. The projects reviewed were rated positively in terms of identification of relevant stakeholders, the inclusiveness of these groups, the modalities for their involvement in implementation, and the flexibility of those modalities.

32. Panels provided the following main findings:

- Several projects in this year's SMPR cohort demonstrated that steering committees and other participatory decision making mechanisms involving stakeholders are an effective means for participation.
- To fully engage the variety of main stakeholders can be costly in terms of time and resources, and projects have to plan accordingly. Several projects are building on organizations or initiatives that already exist and are working properly in the country, thus reducing the communities' cost and burden of participation.
- Projects engaging the public and private sector demonstrated that there is a further need to consult with recipient governments to ensure that initiatives are in line with national priorities and that replication can be supported by national actors.

Monitoring and evaluation

33. The effectiveness and adequacy of a monitoring and evaluation (M&E) system is a critical success factor for project management because it enables to track and measure the achievement of its outcomes and impacts.

34. In this year's SMPR, 12 out of 15 projects were found to be marginally satisfactory or unsatisfactory regarding their M&E systems. Panels concluded that although M&E arrangements had generally been made, their implementation was weak. That being said, some form of adaptive management is taking place in nine projects.

35. Panels provided the following lessons and findings regarding this topic:

- Most of the reporting taking place at the project level concentrates on the implementation of activities and outputs. Project implementation could be improved by focusing reporting and feedback on the achievement of objectives (i.e. focusing on results or outcomes/impacts).
- Establishing a baseline is crucial for understanding and measuring progress made towards project impact. Performance indicators need to be identified before the project, and may be adjusted during the initial project phase.
- In some cases, lack of specificity regarding some project outcomes at the beginning of the project, may be positive if the project management uses this to increase participation of key stakeholders (i.e., governments) to further define the desired outcomes (i.e., a "process approach").

- Project implementing entities need to put more emphasis on hiring project staff with the right skills and early in the implementation process to define M&E indicators and define baseline conditions.

Replicability

36. Replicability in the context of GEF projects is defined as drawing lessons and experiences from a project to be replicated or scaled up elsewhere. Knowledge transfer is the most common example of replicability in GEF projects (i.e., disseminating lessons, conducting training workshops, exchanging information, etc).

37. Panels found that five projects did not have a formal replication plan. However, most projects that are implementing replication plans have a good probability of replication. The main conclusion and lesson learned from the review is that a replication plan should be included in the project design or developed, with an appropriate budget, and should be monitored and followed up during implementation to assess and adjust approaches as required.

38. Panels provided the following lessons and findings regarding replication:

- Developing institutional capacities for training are a cost-effective way to multiply and replicate project benefits.
- Tailored energy-efficiency demonstration projects can go a long way in term of replication to show the public, the private sector, and governments that cost-effective technology changes can significantly increase efficiency and have a positive impact on the environment.

Successes in Replication: Building Partnerships for Environmental Protection and Management of the East Asian Seas

The global environmental objective of this UNDP implemented project was to protect and enable the sustainable use and management of coastal and marine resources in the East Asian Seas region. Under the project, the Xiamen demonstration sub-project provided the basis for the Sea Space Law in China and the adoption of a GIS method to map coastal zones and regulate coastal zone permits in China. A GEF contribution of US$800,000 has provided the experimental basis for government investments in integrated coastal management (ICM) estimated at 600 million dollars. Similarly, the Chinese government is currently putting in place the Blue Sea project, largely as a result of the lessons in coastal zone management learned through its participation in this project. The ICM experiences in Danang are being replicated in other sites in Vietnam, through capacity building and information-sharing activities. Demonstration projects across the region have established training programs with universities to respond to specific country needs for capacity development in maritime-related topics. These programs have turned into permanent capacity building programs. This is an important contribution given the low level of technical expertise in the region on coastal management and maritime issues.

- Social institutions (i.e., schools, health centers, community centers) can be an important market for renewable energy technologies such as photovoltaics. In addition, they are particularly useful as demonstration projects for replication purposes.
- When assessing the potential for replicability of a private sector initiative, very clear business and marketing plans are needed (including needs assessment, market

assessment for replication, and targets for raising awareness). Systematic monitoring of the impacts of such awareness raising activities should also take place.

Financial plans

39. In terms of the overall adequacy of the financial plans of projects covered under SMPR 2002, the situation appears to be quite mixed, with projects equally distributed among the satisfactory and unsatisfactory ratings. By focal area, six out of seven biodiversity projects were rated less than satisfactory, while the majority of climate change and international waters projects were rated satisfactory or better.

40. Eleven out of 15 projects had experienced changes in the financial plans originally approved by Council. These changes seem to have affected implementation, although panels concluded that these changes were not severe enough to affect the goals of the projects.

41. In terms of changes in co-financing, 12 projects experienced changes in the levels of co-financing . Almost half of the projects showed an increase and a third of the projects a decrease in co-financing. Increases were due to additional government and organizational contributions, both in-kind and cash; enhanced cost-sharing with financial institutions; commitments to support replication activities; and larger amounts of leveraged or matched funds than anticipated. On the other hand, panels found that decreases in co-financing were due to decreases or even cancellations in contributions from governments, donors, and other partners.

42. Panels provided the following findings and lessons regarding financial planning:

- Most projects reviewed had not developed a financial exit strategy by the project implementation mid-stage.
- In several projects, the recipient country did not have sufficient knowledge and capacity to perform procurement, disbursements, and financial management plans according to IA guidelines.
- The GEF does not offer guidance on how to report changes in project costs to the GEFSEC and Council, specifically decreases in co-financing, or co-financing ratios.
- Small and medium enterprises (SMEs) involved in GEF projects tend to have limited capacity and capital/cash flow. These special characteristics need to be both accounted and budgeted for in project implementation. In certain schemes, further thought should be given to the role of the GEF as an investor rather than a grantor to enhance GEF's overall leverage in investments in biodiversity conservation.
- If private investment is expected, evidence should be presented about the possibilities of attracting such funding in terms of market potential and realistic Internal Rate of Return (IRR), the track record of similar funds, consultation with potential investors and their potential requirements, realistic business opportunities, and constraints on the development of the market.
- Diversified financial instruments and modalities should be considered at project design.

Cost-effectiveness

43. In general terms, cost-effectiveness is here interpreted as an assessment of the progress made towards achieving project's environmental and development objectives and of its outputs

in relation to the inputs, costs and implementation time. However, that was mostly not possible given the limitations of this study. For this reason, cost-effectiveness was reviewed within the context of similar projects in scope and content based on the experience of panel members. Cost-effectiveness is one of the 10 operational principles of the GEF: "The GEF will ensure the cost-effectiveness of its activities to maximize global environmental benefits." Furthermore, the Project Review Criteria explain that cost effectiveness should be estimated, if feasible, using alternate project approaches.

44. It should be noted that many panels found it difficult to assess cost-effectiveness, especially to provide an overall rating for this criterion. It was argued that it was either too early to assess, or there were differences in the perspectives of panel members, or project stakeholders themselves, as to what precisely defines "cost-effectiveness" for a given project. This was all the more evident for biodiversity projects, which are often complex in nature, thereby limiting the potential to use other initiatives as benchmarks for comparison of how the project is faring on that criteria. A key conclusion here is that a clearer definition and indicators to measure cost-effectiveness are required. The indicators are likely to differ from one focal area to the other.

IV. Overall Assessment

45. Panel members were asked to provide an overall assessment of the projects' conformity with GEF review criteria (as this was the main objective of the SMPR exercise). This is not a representative assessment of the performance of the GEF portfolio, given the small sample of projects reviewed. Neither is this an assessment of the projects' potential impacts and results. Panels were also asked to describe the projects' progress towards attainment of their global environmental objectives/expected impacts (see Annex II).

46. This SMPR rating, as well as any of the others, should not be compared directly with the PIR ratings based on the annual IAs' self-assessment of project progress in implementation and attainment of global objectives. The SMPRs have different objectives than PIRs and are conducted in a completely different way.

47. The overall ratings vary significantly between focal areas. All of the reviewed international waters projects were rated satisfactory or better. While three out of five climate change projects were rated satisfactory, six out of the seven biodiversity projects were rated marginally satisfactory or unsatisfactory. Various reasons may help explain this variance. Biodiversity projects tend to feature more complex designs and more ambitious objectives, while climate change projects tend to have more focused objectives that utilize a specific technology. This has emerged in several M&E studies including PIRs and program studies. International waters projects are complex initiatives involving multiple stakeholders, but their objectives are usually focused on developing a particular program of action.

48. The panels identified projects with good performance in particular aspects of the SMPR review criteria, such as:

- Well conceived, designed and planned projects (such as in the Africa Oil Spill, Côte d'Ivoire, and Czech Republic projects);
- Extensive stakeholder and community participation to enhance sustainability by, for example, building on existing local organization and expertise. Some examples of

extensive stakeholder and community participation include the Vietnam, Cambodia, Terra Capital, and Brazil Pantanal projects;

- Strong achievements in education, awareness, outreach, and evidence of progress in capacity development for natural resource management, as exemplified in the Cambodia, Vietnam, Africa Oil Spill, Czech Republic, and Poland projects;
- Strong country ownership and commitment, such as in the East Asian Seas, Côte d'Ivoire, Africa Oil Spill, Brazil Pantanal and Sudan projects;
- Development and harmonization of legal, regulatory, and institutional frameworks, including progress in meeting convention commitments. Some examples are the Africa Oil Spill, Cambodia, Brazil Pantanal, and Poland projects;
- Initiation and development of partnerships and cooperation among organizations, businesses, communities, institutions, and countries such as in the Africa Oil Spill, East Asian Seas, Cambodia, Côte d'Ivoire, Czech Republic, UNEP-Global, Poland, and Sudan projects;
- Good flexibility to respond and adapt to changes, and incorporate local needs, such as in the East Asian Seas, Cambodia, UNEP-Global, Terra Capital, and Sudan projects;
- Strong achievement or potential for replication such as in the Africa Oil Spill, East Asian Seas, Czech Republic, and Terra Capital projects.

49. In addition to the points already outlined in the individual review criteria sections above, panels were asked to identify any particular areas of project implementation that needed improvements from the cohort of projects under review. These findings are discussed in the following section and incorporated into the recommendations.

V. Recommendations Regarding Conformity with Review Criteria and "Driving for Results"

50. As stated earlier, lessons and findings as well as recommendations from this year's SMPR reviews have been incorporated into the PPR 2002 process, as appropriate. This section presents additional, more specific recommendations in response to the objectives of the SMPR exercise. Some of these recommendations could be easily incorporated into the on-going process of reviewing GEF projects while others will require more extensive analysis and justification before they are adopted. These recommendations will be considered, in context with findings and recommendations from other M&E modalities, and in any future formal review of the GEF Project Cycle.

51. Concerning projects' conformity with GEF review criteria, it is recommended that the GEF Secretariat:

- Improve GEF guidelines on how to report changes after project approval (in objectives and financing) within the context of adaptive management;
- Consider adding or developing a review criterion regarding the availability of local capacity for project implementation. This will enable to make an assessment of the local capacity during the feasibility study and determine the best approach and priorities for project implementation. In addition, this may reduce implementation delays related to limited capacity of the local implementing entity; and

- Develop clearer definitions and indicators to measure cost-effectiveness.

52. Concerning projects' conformity with GEF review criteria, it is recommended that the GEF IAs:

- Strengthen the identification and assessment of risks in projects, and ensure that adequate, effective, and appropriate mitigation/adaptation measures are planned and implemented;
- Ensure dialogue with host governments/institutions to incorporate or "mainstream" GEF project objectives into national development plans. This should aim at eliminating conflicts between the development agenda of one government agency and the GEF project implemented by another;
- Ensure that a replication plan is included in the project design or developed, budgeted, and ready for implementation, and ensure that replication work is monitored during its implementation;
- Ensure that the project design includes a strong logical framework with appropriate indicators and well-defined expected results for each indicator.
- Strengthen the implementation of monitoring and evaluation systems within the logical framework and include an assessment of baseline conditions. The M&E system should measure progress towards the achievement of results and should be institutionalized within the local implementing entities for it to continue after project closing.
- Develop financial sustainability plans that: i) further involve local organizations and institutions at all levels; ii) identify other potential sources of funding (i.e., engaging the private sector), or iii) engage institutions that will continue project activities and sustain outcomes after project completion. In future investment schemes with the private sector, the expectations for co-financing/leverage should be clearly stated in the project document and monitored accordingly during project implementation.
- Enhance sustainability of project outcomes by ensuring that relevant factors affecting sustainability are incorporated in the project design and that they are monitored and evaluated during implementation;
- Ensure that GEF projects disseminate lessons and that new projects integrate relevant lessons from previous ones in the design phase. Like satisfactory and highly satisfactory projects, those considered unsatisfactory or dealing with difficult challenges may also provide important lessons for the GEF portfolio.

VI. Lessons Regarding the SMPR 2002 Implementation Process

53. The SMPR 2002 proved to be a challenging endeavor, but it has been generally accepted as a valid and promising M&E methodology. The exercise had excellent support from project teams and implementing agencies and was successfully completed. All scheduled reviews were completed, as were all individual SMPR reports/questionnaires. Lessons about implementation of the SMPR will be incorporated into the implementation plan for SMPR 2003. Other lessons and findings presented in the sections above have been advanced for consideration by the different groups working on the Project Performance Review 2002 (PPR 2002) and have been incorporated in that analysis as appropriate.

54. Examples of major lessons from the implementation of the pilot phase include:

- The SMPR reports from desk reviews were generally of an acceptable quality, although most panel members expressed their preference for field visits as a more appropriate, in-depth, and reliable way of conducting an SMPR. Field visits yielded higher quality results as more important issues came to light and more interviews at the local level were conducted during the invaluable site visits. The SMPR field visits enhanced GEF common knowledge of projects and implementation and allowed for face-to-face encounters.
- Scheduling SMPRs to coincide with or run parallel to IAs project mid-term reviews proved to be effective and efficient in most cases. It reduced the stress and disruption on projects and recipient country personnel and provided an opportunity for both teams – mid-term and SMPR panels – to interact and exchange perceptions, findings, and recommendations. In many cases, the SMPR review was entirely or partially incorporated into the mid-term review's findings and recommendations. Because there is a tendency for mid-term reviews to be concentrated at the end of fiscal year (May-June) or calendar year (November-December), the scheduling of SMPRs in 2002 was sometimes tight.
- Panel compositions worked well in all cases. The normal composition was four members including an M&E specialist, a focal area expert, an IA representative, and an outside technical expert. Changes in panel members should be informed to the IA responsible of the project under review.
- Staffs from IAs have found it useful as a learning experience to participate in panels that have assessed other IAs' projects.
- Project documentation in most cases was appropriate but was not always available to panels early enough in advance of the review. Yet, it was found that written documentation did not in most cases provide a sufficient basis for desk reviews and had to be complemented by interviews.
- Panel members agreed that the SMPR questionnaire was generally a useful tool to guide the review and to produce the project review report. However, panels provided GEF M&E with several suggestions on how to improve the questionnaire, which will be incorporated into the next SMPR.
- Having a separate team to coordinate logistics (the consulting firm Baastel Ltee), such as to schedule teleconferences and documentation was very effective and productive.
- Teleconferences used to communicate among panel members were generally efficient and cost-effective. Sometimes the dates between teleconferences for a project were set too far apart causing a loss of continuity and effective use of time. The number of teleconferences per desk reviews varied because of direct communications with individuals relevant to the project, but in every desk review, there were at least three or four panel members meetings. Inclusion of project-related resource persons is considered an effective means of getting input and information from the projects.
- In all cases, field visits worked out very well. Project implementation units, IAs and their field offices, provided excellent assistance in preparing and coordinating the

field visit agenda. Most panels considered 6 to 10 days as an appropriate length of time for the field visits, with the exception of those complex projects that included multiple site visits, where more time was needed. Side trips to particular project sites were arranged as part of every field visit. In some cases, the SMPR team split in more than one group to ensure more extensive coverage.

Annex I. List of Projects Selected for SMPR 2002

Desk Reviews

Focal Area	*Project Name*	*Country/ Region*	*IA*	*Implementation Period*	*Project Costs ($ millions USD)*
Biodiversity	Community Conservation and Compatible Enterprise Development in Pohnpei	Micronesia – Asia/Pacific	UNDP	2000-2003	GEF: 0.748 Total: 1.929
Biodiversity	Conservation and Sustainable Use of the Barrier Reef Complex	Belize – Latin America/ Caribbean	UNDP	1999-2004	GEF: 5.355 Total: 7.440
Biodiversity	Conservation of Biodiversity and Protected Areas Management Project	Syria – Middle East and North Africa	World Bank	2000-2003	GEF: 0.75 Total: 1.43
Climate Change	Redirecting Commercial Investment to Cleaner Technologies	Global	UNEP	1999-2002	GEF: 0.75 Total: 0.75
Climate Change	Energy Efficiency Market Development	Côte d'Ivoire - Africa	World Bank	1999-2002	GEF: 0.73 Total: 0.995
Climate Change	Coal-to-Gas Conversion Project	Poland - Eastern Europe/ Central Asia	World Bank	1995-2000 (original) 1995-2002 (revised)	GEF: 25 Total: 48.32
Internationa l Waters	Building Partnerships for the Environmental Protection and Management of the East Asian Seas	Regional – Asia/ Pacific	UNDP	1999-2004	GEF: 16.224 Total: 28.545
Internationa l Waters	Western Indian Ocean Islands Oil Spill Contingency Planning	Regional - Africa	World Bank	1999-2003	GEF: 3.152 Total: 4.637

Field Visits

Focal Area	*Project Name*	*Country/ Region*	*IA*	*Implementation Period*	*Project Costs ($ millions USD)*
Biodiversity	Creating Protected Areas for Resource Conservation Using Landscape Ecology	Vietnam – Asia/Pacific	UNDP	1998-2003	GEF: 6.009 Total: 8.279
Biodiversity	Terra Capital Fund	Regional - Latin America/ Caribbean	World Bank	1998-2007	GEF: 5.0 Total: N/A
Biodiversity	Biodiversity and Protected Area Management Pilot Project for Virachey National Park	Cambodia – Asia/Pacific	World Bank	2000-2003	GEF: 2.75 Total: 5.0
Biodiversity	Integrated Coastal Zone Management	Georgia – Eastern Europe/Central Asia	World Bank	1999-2004	GEF: 1.3 Total: 7.6
Climate Change	Barrier Removal to Secure PV Market Penetration in Semi-Urban Sudan	Sudan – Middle East and North Africa	UNDP	1999-2002	GEF: 0.765 Total: 1.325
Climate Change	Low Cost and Low Energy Buildings in the Czech Republic	Czech Republic - Eastern Europe/Central Asia	UNDP	1999-2002	GEF: 0.448 Total: 1.428
Internationa l Waters	Implementation of Integrated Watershed Management Practices for the Pantanal and Upper Paraguay River Basin	Brazil – Latin America/ Caribbean	UNEP	1999-2003	GEF: 6.615 Total: 16.403

Annex II. Progress Made in Attainment of Global Environmental Objectives

The following bullets are extracted from the SMPR individual reports on the progress made towards the attainment of project goals, as described by review panels:

- Africa Oil Spill - Good progress has been made on most project components. However, the M&E system has not yet enabled an analysis of the progress made towards attaining the global environmental objective.
- East Asian Seas - The project has made very important contributions at different levels. At the regional level, it has established several networks that routinely exchange information on marine issues. At the national level, it has supported governments in the formulation of country policies to respond to and adapt the regional action plan to country conditions. At the local level, it has supported demonstration projects that address specific marine pollution issues of special interest to local governments.
- Belize - The project is replicating several of its methodological approaches by providing technical assistance to “parallel” projects and by setting up in-country training capacities. Processes and arrangements have been established but management plans are still under preparation.
- Cambodia – Capacity development is helping to alleviate some of the pressures coming from the local communities and the draft protected area law has the potential to provide the legal framework to conserve and sustain biodiversity within protected areas.
- Côte d’Ivoire - Four new energy-efficient service providers have been created, and relationships established between them, their clients, and their financiers. Efforts have been made to foster awareness of and engagement in energy efficiency retrofits among industrial sector actors and local financial institutions. Fifty-seven sub-projects have been identified so far (compared to the initial target of 40 investments): 37 have been approved (although only 23 are under implementation) and the other 20 are in the pipeline. The initial volume of energy savings and related carbon savings is well below the original target, so the direct output of the project is much lower than expected, and the cost efficiency of the project is in doubt. The overall global objective, however, still remains achievable.
- Czech Republic – The project is likely to result in the reduction of GHG emissions from the Czech Republic because the buildings being constructed under the project will use less than half the energy of currently designed buildings. Even with continuing delays in housing sector reform (i.e., privatization), the project will likely result in reductions in GHGs, and replication is highly likely.
- Micronesia – Its outcome is unclear and uncertain given the short time left and the foreseen focus of activities for the final year. However, objectives could potentially be achieved if efforts in the last year are more focused on enforcement and monitoring.
- UNEP-Global - The Investment Advisory Facility has supported 11 investments. Of these, three have been completed. It is difficult to accurately assess the contribution of this project to achieving its stated global environmental objectives due to the lack

of causal link between the GEF-provided financing and the ultimate decisions taken by project finance institutions that led to financial closure of the three investments.

- Poland – There are 30 subprojects for boiler conversions in the pipeline, 24 of which have been commissioned. Under the building efficiency component, 10 projects have been completed. There is evidence of increased investment of public funds in boiler conversions and of increased awareness of boiler conversion technology as well as climate change mitigation issues.
- Brazil-Terra Capital Fund – Still in its early days, progress to date has been slow and limited, both in terms of the nature and scope of the investments. Only four investments have been approved in only two sectors, and two of those investments still have unclear global biodiversity benefits. The coverage of the fund thus remains limited, but there seems to be momentum. There is a pipeline of potential investments, and the fund management company has a better capacity to support those future investments. The next 2 years will be crucial for ascertaining whether improvements can be realized in the investment portfolio and if a clear replication strategy can be devised to help ensure global biodiversity benefits.
- Syria – There has been no progress towards the attainment of project objectives thus far. The likelihood of achieving the expected impacts will be improved only if the project is redesigned.
- Vietnam - The project has made progress, and there are some indications that conservation is taking place. However, this assessment is based only on a field visit to one of the sites and national level discussions, as well as desk reviews. Whether the project meets its global environmental objectives depends on how the nationally endorsed development threats are managed at all three sites, which is beyond the project's control.
- Sudan - Investment in PV applications has not accelerated to a great extent, except for public sector investments. The private sector market shows no signs of increased penetration. In a small number of cases, PV provides an energy service that would otherwise not be available, i.e., with the availability of PV, energy consumption increases but not as a substitute for existing or future energy sources. Thus the actual GHG abatement of the project is very small.
- Georgia – Progress has been slow to date, as limited action has taken place on the ground to ensure conservation and sustainable use of globally significant biodiversity resources against the potential threats and impacts of the oil terminal under construction.
- Brazil-Pantanal – The project is progressing well and is making an important contribution towards fostering understanding of the threats to the Pantanal and fostering the broad involvement of stakeholders in its protection.

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