

SECRETARIAT NOTE ON OPERATIONAL POLICY AND PROGRAMMATIC ANALYSIS

INTRODUCTION

1. In its proposal for approval of GEF work programs (document GEF/C.7/7), the Secretariat has proposed that it prepare for each Council meeting a separate note reviewing the programmatic evolution of GEF operations. The purpose of such a note would be to provide a basis for Council discussion of policy and strategic issues concerning GEF operations. In its consultations with Council Members, the Secretariat received widespread support for the preparation of this note. As a result, the Secretariat has prepared the present note as a first effort to illustrate the type of information and analysis that could usefully be presented in a programmatic note.

2. At its October 1995 meeting, Council approved the Operational Strategy for the GEF. This represented a critical milestone for the Facility in terms of providing a clear framework within which GEF-financed activities could be identified and implemented. The Strategy is a framework document that operationalizes guidance from the Conferences of the Parties to the two conventions and establishes broad guidelines for the programming of GEF resources. It also foresees the development of more specific guidance through the operational programs.

3. Following the October 1995 Council meeting, the GEF Secretariat undertook a number of initiatives aimed at elaborating upon the key operational approaches and modalities outlined in the Operational Strategy. The GEF Secretariat identified four high priority operational objectives:

(a) Continue to program resources judiciously: to continue to program GEF resources through the development of project proposals and programs that were fully consistent with the Operational Strategy;

(b) Deepen guidance on the implementation of the Operational Strategy: to set out in greater detail the criteria and guidance needed to assist Implementing Agencies in developing project proposals within the framework of the three major categories of activities identified in the Operational Strategy: enabling activities; operational programs; and short-term response measures;

(c) Encourage broad participation in GEF operations: to analyze the potential roles of the three major executors of GEF-financed activities: the public sector, the private sector and the non-governmental sector as well as develop guidance for broader-based public involvement; and

(d) Improve operational and managerial effectiveness: to continue to improve procedures, methodologies and planing tools within the GEF. This includes efforts to improve the effectiveness of inter-agency operational programming through, inter alia, the GEF Operations Committee (GEFOP); the implementation of the incremental cost policy; and the application of the project framework to the development of operational programs. It also includes the funding of country-based preparation activities, and the establishment of a monitoring and evaluation system for the GEF.

(A) CONTINUE TO PROGRAM RESOURCES JUDICIOUSLY

4. With the inclusion of the April 1996 work program, the GEF will have allocated approximately \$450 million since the restructuring and replenishment of the GEF in March 1994. Approximately \$100 million has been committed to GEF projects since replenishment [\(1\)](#). Current disbursement to all GEF projects is around \$ 230 million. The allocation of resources was relatively slow in the first year after replenishment. This is to be expected since a deliberate policy decision was taken by the Council to allocate no more than 15 per cent of GEF resources during the first year of operation pending the approval of an operational strategy and the establishment of GEF working modalities and criteria.

5. In preparing the work program in the period following the approval of the Operational Strategy, the Secretariat has tried to ensure that all project proposals conform to the Strategy and that a clear understanding was reached with the Implementing Agencies regarding the potential fit with the criteria under development for enabling activities and operational programs. While a more sequential approach might have been logical, (i.e., no programming of resources until such time as the enabling activities criteria and the operational programs had been prepared), it was felt that such an approach was too restrictive and counter-productive to developing a high quality, long-term pipeline of projects and to continuing the momentum of operational planning.

6. It must also be recognized that the project proposals that comprise any proposed work program submitted to the Council for approval still require further work -- anywhere between three to twelve months -- before the final draft project document is prepared. This offers an important opportunity for the Implementing Agencies to fine-tune the projects and modify their design to conform to comments received from the Council and the internal guidance being developed within the GEF. Two examples of this pragmatic approach are:

(a) Enabling Activities: project submissions, together with discussions with the Implementing Agencies, helped shape the criteria that has now been developed (see documents GEF/C.7/Inf.10 and GEF/C.7/Inf.11); and

(b) Two private sector project proposals included in the proposed work program propose financing modalities not previously approved by Council. However, it was considered expedient

for such proposals to move forward in their development, recognizing that adjustments may be needed as the Council continues its deliberations on financing modalities.

7. The Project Preparation and Development Facility (PDF) has also improved the strategic programming of GEF resources. Under the PDF approximately \$10 million have been approved to date for project preparation, and this is expected to produce a pipeline of projects in the range of \$250 to \$300 million. Council has before it a comprehensive analysis of the PDF (document GEF/C.7/10) and, therefore, this paper does not cover its evolution and direction. Nevertheless, it is important to recognize the central importance that the PDF is playing in the programming of GEF resources through the development of project proposals that are consistent with the programming framework and the identification of collaborative and cofinancing opportunities early in the project cycle.

8. Finally, while it may be premature to comment upon the balance of the portfolio, it is important to note that the rapid growth in the requests for funding of enabling activities remains a critical issue in light of the importance of those activities to short-term convention priorities.

(B) DEEPEN GUIDANCE ON THE IMPLEMENTATION OF THE OPERATIONAL STRATEGY

9. As provided in the Operational Strategy, GEF operations are to be programmed in three broad interrelated categories of activities: (i) enabling activities; (ii) operational programs, and (iii) short term response measures. Enabling activities -- which include inventories, compilation of information, policy analysis, and strategies and action plans -- represent the basic building block of GEF assistance. They also are essential to assist countries in fulfilling their obligations to the conventions. The development of criteria for enabling activities was given the highest priority. Operational Programs, which provide conceptual and planning frameworks for the design, implementation and coordination of a set of global environmental projects, are the cornerstone of the GEF's objective to make a long term programmatic impact on the global environment. Ten initial operational programs were identified in the Operational Strategy, and work has begun on elaborating eight of these. Short-term measures are well defined in the Operational Strategy and, in the immediate future, no further analytical work is contemplated. Such measures are not likely to form a major component of the overall operational programming of GEF resources.

(i) Enabling Activities

10. Two inter-agency task forces (biodiversity, climate change) were requested to develop criteria for the programming of enabling activities. Staff from the relevant convention secretariats were invited to attend the task forces and to comment on the criteria. The operational criteria prepared by the task forces are before the Council for information. Four important generic criteria were identified: coverage without duplication; appropriate overall sequencing of activities; best practice; and cost effectiveness. For biodiversity, a fifth criteria was also included: consistency of approach and procedures.

11. The preparation of enabling activities is of considerable urgency. Under the Convention on Biological Diversity, the parties are to submit their first national reports to the Conference of the

Parties by June 1997. Under the Framework Convention on Climate Change, many parties are to submit their national communications by mid-1997. Enabling activities are designed to facilitate the preparation of such reports and communications. The parties to the conventions have requested that the GEF seek ways to expedite the provision of assistance for these activities. As a consequence, considerable discussion took place with regard to the arrangements for managing the preparation and implementation of these activities. Emphasis was placed upon developing a quick, agile, and country driven approach in which all Implementing Agencies could provide assistance to countries in accordance with their specific comparative advantage. Agreement was reached on what may best be described as a "common regulatory" approach. Consistent with this approach, clear norms and criteria have been developed. It is now proposed that the Council approve expedited procedures for approving project proposals that meet the operational criteria. Expedited procedures that may be followed are proposed in the cover note to the work program (Document GEF/C.7/3)

12. In view of the reporting requirements of the conventions as well as the number of requests currently received from developing countries, it is estimated that \$30 million [\(2\)](#) will be required to meet these needs in the next year. This amount has been proposed in the work program to indicate the Council's intention to respond to the priority assigned to enabling activities by the conventions. It is clear, however, that no commitment can be made to any specific enabling activity until the CEO has approved a project proposal.

13. If the Council approves the proposal for expedited approval of enabling activities, it should be possible to meet the demands for enabling activities and, as a result, ensure timely implementation of the conventions' guidance in this category of activities.

(ii) Operational Programs

14. The preparation of the operational programs represents another priority for action. The Operational Strategy provides a useful outline of what an operational program should contain. [\(3\)](#) Over the past three months the GEF Secretariat has been collaborating with the Implementing Agencies on the preparation of operational programs.

15. In biodiversity, three efforts are underway. The first relates to the coastal, marine, and freshwater ecosystems. Work on this program is being led by the World Bank. It is based upon recently published work which analyzed a globally representative system of marine protected areas and identified a set of existing and proposed regional priorities requiring management support. [\(4\)](#) An initial draft outline of a preliminary program on arid and semi-arid ecosystems has been prepared by the GEF Secretariat, and work has begun on the operational programs for mountain ecosystems and forest ecosystems.

16. Under the forest ecosystems, a programmatic framework for a more geographically-focussed area, the Central American Forest, is being developed. As noted in the operational strategy, "country-driven project concepts may emerge for which an immediate matching with a GEF operational program does not exist. These concepts will be explored further to determine whether they provide a basis for a new operational program." Through the GEFOP it became clear that the Implementing Agencies were developing a number of project ideas concerning the Central

American forest, it was agreed that before any further project development was undertaken, an operational program would be prepared. Its preparation is being led by UNDP, funded in part, with PDF resources. This represents an interesting challenge related to operational programming given the regional commitment of governments to sustainable development and ecosystem protection, the considerable attention of donors in this area (including the GEF), and the vital importance of indigenous peoples in the area.

17. In climate change, work has been initiated on all three operational programs with each Implementing Agency managing the preparation of the first draft of one of the operational programs. These have now been received by the GEF Secretariat and provide a good basis for internal discussion. The GEF Secretariat plans to develop the drafts further, in cooperation with the Implementing Agencies, in the coming two months.

18. In international waters, all three operational programs are under development. Draft outlines were prepared by the Secretariat and developed further in collaboration with the three Implementing Agencies. A first complete draft of each operational program is currently being developed and will be circulated for discussion to the Implementing Agencies before the end of March.

19. The GEF Secretariat now plans to give highest priority to the final preparation of all ten operational programs. Once drafts have been prepared and supported by the three Implementing Agencies, they will be circulated to the convention secretariats, where appropriate, and STAP for comments. Drafts will be circulated to the Council for comments. Drafts will also be placed on INTERNET and comments will be solicited so as to encourage commentary from a wide range of interested parties.

20. It is clear that the operational programs must be strategic in orientation and build upon existing knowledge and past experiences. They should be seen as living documents, subject to critique and periodic updating on the basis of, inter alia, Council decisions, convention guidance, scientific knowledge, operational monitoring and evaluation, and country interests.

(C) ENCOURAGE BROAD PARTICIPATION IN GEF OPERATIONS

21. The three potential executors of GEF resources (the public sector, the private sector and the non-governmental sector) each provide comparative strengths in meeting the GEF's objectives. To date most GEF resources have been channelled through the public sector in recipient countries, and most of the policies and modalities of the GEF have been aimed at providing assistance through government channels. Non-governmental organizations have played more limited, yet still important, roles as project executing agencies, advisors, project managers (including the Small Grants Programme), and in developing project concepts. The private sector has fared least well as a partner in GEF activities. Only a few private sector projects are currently under implementation, although the proposed April 1996 work program contains a number of project proposals to be executed by the private sector.

22. While the major thrust of GEF assistance will continue to be through the public sector, the Secretariat recognized that attention should be given to better understanding the scope and

opportunities, as well as the constraints, of channelling assistance through the private and the non-governmental sectors. Two major efforts were launched to meet these objectives: a strategy paper, prepared by the Secretariat, on engaging the private sector which is presented to the Council for review and approval (Document GEF/C.7/12); and an NGO paper which identifies how NGOs might best assist the GEF in meeting its global objectives (Document GEF/C.7/Inf.8). Since the NGO paper is before the Council for information only, highlights of its recommendations are presented in this note.

(a) Engaging the Private Sector

23. The GEF Secretariat has prepared a strategy paper on engaging the private sector (GEF/C.7/12). This was based upon a series of consultations with a wide range of private companies as well as with the Implementing Agencies. From an operational perspective, the main findings of relevance are:

(a) the need to ensure that incremental cost financing remains compatible with operating modalities of the private sector, especially where financial costs may differ substantially from economic costs: that is, the GEF should not subsidize the costs of market distortions;

(b) that a wide range of financing modalities should be tested, including non-grant approaches such as contingent finance, guarantees, concessional financing and equity. These issues are dealt with in greater detail in Council document, GEF/C.7/Inf.4, Financing of GEF Modalities; and

(c) that the GEF's project cycle does not encumber the private sector's typical pace of project development, provided that the quality of project preparation is not sacrificed.

(b) Engaging the Non-governmental Organizations (NGOs)

24. The GEF Secretariat has submitted to Council a paper entitled "Promoting Strategic Partnerships between the GEF and the NGO community (GEF/C.7/Inf.8). This paper was prepared by an NGO working group consisting of ten NGO representatives chosen by the NGO community. The working group identified a number of impediments to the building of more effective GEF-NGO partnerships; established a number of sound principles as the basis of a proposed new partnership and set out a number of findings of relevance to the operational programming of GEF resources. These include improvements to existing practices, the development of expedited access to funds for medium-sized grants, and a stronger role in monitoring and evaluation. The NGO community also continues to have a strong interest in the issue of public involvement in GEF projects.

(i) Improvements to existing practices

25. A number of recommendations were made by the Working Group which relate to improvements to existing GEF practices with respect to NGOs. These include:

(a) the mainstreaming of NGO participation in larger GEF projects (paragraph 2.1 of the paper);

(b) NGO participation in monitoring and evaluation (paragraph 2.2 of the paper);

(c) expedited access to PDF resources (paragraph 2.3 of the paper); and

(d) strategic support for National Environmental Funds (para 2.4 of the paper).

(ii) Expedited access to GEF resources for mid-sized grants

26. The Working Group agrees that the most important key to enabling the GEF to take full advantage of the potential that NGOs offer is to expedite the access of NGOs and other actors to medium-sized grants. After careful analysis, the Group has argued that current procedures for such relatively small sized grants impose very high transaction costs, and, in particular, that current procedures for contracting, disbursing funds, and supervising projects of this scale impose unnecessarily onerous costs and requirements that limit the GEF's ability to work at this level. The Working Group has been invited by each Implementing Agency to enter into discussions on the means by which agency procedures could be streamlined to expedite processing of projects. A first round of discussions has taken place with UNDP and the World Bank. Discussions will take place with UNEP in May 1996.

27. The NGO paper also argues for a "complementary expedited pathway for mid-sized grants", drawing upon many of the experiences of private foundations and other institutions to facilitate the submission, review and implementation of mid-sized projects on a competitive basis (paragraph 3.2 of the paper). This finding and recommendation is also consistent with the decision of the second meeting of the Conference of the Parties to the Convention on Biological Diversity which recommended that " for more effective implementation of its policies, strategies and programme priorities, that the Global Environment Facility explore the possibility of promoting diverse forms of public involvement and more effective collaboration between all tiers of government and civil society, including the feasibility of a programme of grants for medium-sized projects...." [\(5\)](#)

28. The recommendation made in the Working Group's paper offers an important opportunity for establishing an effective and agile mechanism for the deployment of medium-sized grants. The GEF Secretariat fully supports this recommendation: in many consultations with NGOs, governments, and private companies the suggestion of an expedited pathway has been raised. The experience of managing the PDF would also provide useful insights as to how best manage such a pathway. Council is, therefore, invited to approve the principle of expedited procedures for approving project proposals, requiring medium-sized grants (up to \$750,000), and to request the Secretariat to work with the Implementing Agencies and the NGOs to develop a proposal for the steps to be followed under such expedited procedures. The Secretariat would circulate a written proposal for consideration and approval by the Members in accordance with paragraphs 34 to 36 of the Rules of Procedure of the GEF Council no later than June 1, 1996.

(iii) NGO participation in monitoring and evaluation

29. The Working Group made a number of recommendations including the need for: routine consultations with the Monitoring and Evaluation staff of the GEF; consideration of NGO

expertise for specific evaluation assignments; provision of assistance in the design of monitoring components of operational programs; and selective support for NGO managed Monitoring and Evaluation activities.

(iv) NGO - GEF Working Group

30. The Working Group also recommends the creation of an ongoing GEF-NGO Review Committee to monitor the development of the strategic partnership between the GEF and the NGO community. From the GEF's viewpoint this is highly desirable. The Working Group's paper identifies many areas where further work between the NGO community and the GEF would be valuable, including ideas related to greater competition, facilitating easier access through current Implementing Agency procedures, and reviewing the project processing procedures of the private foundations to assess their replicability in the GEF.

(v) Public Involvement

31. The Working Group identified a key role that the NGOs should play in consultation and public participation. The Council has before it a proposed policy on public involvement for review and approval (document GEF/C.7/6). The implementation of this policy should effectively respond to the NGO's concerns.

(D) IMPROVE OPERATIONAL AND MANAGERIAL EFFECTIVENESS

32. As the GEF gains experience, improvements will continue to be made to the procedures for operational planning. This section provides a reflection on a number of such issues: (i) procedures for operational programming; (ii) the implementation of incremental costs; (iii) the application of the project framework approach; (iv) the funding of country-based preparation activities; (v) experience from the first Project Implementation Review; and (vi) monitoring and evaluation.

(i) Procedures for operational programming

33. The GEF Operations Committee (GEFOP) has been functioning for a little more than a year and represents an important means to facilitate the Secretariat's work in preparing work programs for submission to Council. The GEFOP works reasonably well, and conference calling has kept communication costs low. The GEFOP has met fourteen times and has reviewed around 80 projects valued at approximately \$550 million including some 40 PDF applications. Typically, each project proposal requires between twenty minutes to half an hour discussion and technical and/or policy comments are sought from the Implementing Agencies, STAP, and the relevant convention secretariats. The conclusions of the GEFOP chair (including any dissenting views) are communicated to the CEO.

34. A number of improvements to the GEFOP are under consideration. These include:

(a) an established schedule that takes into account the difficulties in time difference between Washington and overseas. Some GEFOP meetings have lasted eight hours and have imposed

considerable difficulties on members living outside the USA. The intention is now to have more frequent and shorter meetings with limited or very focused agendas;

(b) better sequencing of project proposals to allow greater time for specific follow up and clarifications. Virtually all the projects included in the April 1996 work program were submitted to one GEFOP meeting, imposing a considerable strain on the GEF Secretariat and the Implementing Agencies;

(c) inter-agency task forces for each focal area have been established and should be able to play a larger role in pre-screening potential GEFOP proposals. This is now working very effectively in the case of enabling activities, and it will be extended to projects included in operational programs. This should allow GEFOP to focus on key policy issues or particularly complex projects; and

(d) clear and simple rules regarding decisions and simplified formats for preparing minutes and decision memoranda are needed. The GEF Secretariat will also improve its turn-around time in preparing and finalizing minutes of GEFOP meetings;

35. The GEF Secretariat intends to hold a working level meeting with the Implementing Agencies to discuss other means to improve the effectiveness and efficiency of operational programming.

(ii) The application of Incremental Costs

36. There has progress made by the Implementing Agencies in incorporating the Council-approved approach on incremental costs into the project proposals. Indeed, some project proposals in the April work program provide excellent models (6). In other cases, where further refinement has been needed an agreement has been reached with the Implementing Agencies to undertake this work as a routine part of project development and appraisal, and to include more comprehensive information in the final project document.

37. A stronger program of training in estimating incremental costs is needed, and initial discussions have taken place with at least one Implementing Agency to develop staff training programs in incremental cost analysis. Furthermore, operational guidance based on the Council approved approach to incremental costs will shortly be prepared for Implementing Agencies to follow.

38. Recent project proposals have, however, raised a number of issues which will require further attention:

(a) umbrella projects, which provide broad guidelines but do not specify the details of sub-projects, will require clear operational criteria for analyzing incremental costs. In a number of cases where umbrella projects have been proposed, the GEF Secretariat will work with the Implementing Agency to assist in the development of those criteria;

(b) incremental costs of new non-grant financing modalities, including those that involve the private sector will require special attention. The GEF Secretariat plans to work closely with the Implementing Agencies planning to develop non-grant financing approaches to ensure consistency; and

(c) while the approach to measuring incremental costs is now in place, the incentive framework to ensure cost minimization is less developed. As projects are further developed beyond work program approval, greater attention to this issue will be warranted, especially for relatively large grants where minor shifts in assumptions can change the level of the grant quite considerably.

39. One of the underlying premises of incremental cost financing is the need to ensure that GEF resources are additional to those provided under regular development aid. It was expected that the more recent GEF funded proposals would be primarily linked to the regular programs of the Implementing Agencies and not be free-standing (7). Approximately 65 per cent of projects (excluding enabling activities) to date have been free-standing and have not included any Implementing Agency funding; this is an issue that should be kept under careful review.

(iii) The Application of the Project Framework Approach

40. The Operational Strategy notes that a project framework approach should be adopted to allow the GEF to monitor and track progress in fulfilling its mission. The project framework approach (sometimes called the logical framework approach or LFA) is relatively new to the implementing agencies. The GEF Secretariat has received assistance from experts drawn from those bilateral aid agencies familiar with the application of the LFA. Preliminary meetings with the implementing agencies have taken place and the GEF Secretariat plans to follow up with more specific training in the use of LFA, especially in terms of identifying monitorable outcomes. We have discussed this matter with the new Senior Monitoring and Evaluation Officer.

(iv) The Funding of Country-based preparation activities

41. At its meeting in February 1995, the Council approved the policy on eligibility for, and use of, PDF resources presented in document GEF/C.3/6, Project Development and Preparation Facility (PDF), subject to the comments and revisions agreed to during the Council meeting. One aspect on which there was not complete consensus at that time was the inclusion in the PDF of funding for non-project and non-program activities. While there was general support for the financing of such activities, some Council Members were of the view that the PDF was not the appropriate mechanism through which to finance them, and the Secretariat was requested to examine alternative vehicles for the funding of such activities.

42. During negotiations on the restructuring of the GEF, there was widespread support for expanding participation and ownership in the project identification process. Such support was based on the understanding that the GEF could best fulfill its unique role if it were open to project concepts and ideas from a broad range of actors (e.g., casting a wide net).

43. At its meeting in May 1995, the Council approved the GEF project cycle. In approving the project cycle, the Council requested the Secretariat to inform recipient Governments of the GEF

project cycle and to invite them to identify national operational focal points. Presently, a majority of the recipient countries have designated their national operational focal points. The Council also noted the importance of country ownership, national consultations and interaction among different actors concerning GEF activities, and noted that the Secretariat should elaborate on ways to assist any recipient country that so requests to strengthen country coordination activities and consultative processes.

44. Country-based preparation activities are meant to facilitate country ownership of GEF activities and strengthen the country's ability to identify and develop successful GEF projects. Activities may include consulting relevant stakeholders for planning and programming of GEF operations, such as local consultations or national workshops to provide a foundation of knowledge and understanding about the purposes and operations of the GEF. Such outreach should promote the identification of country driven project ideas. The GEF operational focal point in the recipient country is to perform these outreach functions.

45. A number of initiatives have been undertaken in the last year that provide opportunities for financing country-based preparations activities. These include:

(a) Enabling activities, especially their components for stakeholder consultations and the preparation of national plans and strategies;

(b) The proposed GEF policy concerning public involvement in GEF-financed projects (GEF/C.7/6). The proposed policy provides that "The Implementing Agencies will include in project budgets, as needed, the necessary financial and technical assistance to recipient governments and project executing agencies to ensure effective public involvement". The document further explains that the Implementing Agencies are to include financial assistance to facilitate broad-based, project-specific consultations at the local level and promote the active participation of key stakeholder groups throughout the project cycle including capacity strengthening activities;

(c) A project proposal has been included in the proposed work program for a cooperative effort of the three Implementing Agencies intended to build country-based capacity to participate effectively in GEF project development among a wide range of stakeholders in participating countries; and

(d) Funding under PDF Block A can include preparation activities, such as national hearings and workshops to discuss specific project concepts or program ideas, and consultancies to develop project or program options.

46. The Secretariat, after reviewing the means now available for funding country-based preparation activities, is of the view that there are a number of pathways for financing such activities and that these should enable recipient countries to contribute effectively to the identification and implementation of GEF activities. These activities will need to be monitored and evaluated. This should permit an assessment as to whether they comprehensively meet the need of recipient countries. Any recommendations that might arise from such an assessment will be brought to the Council for its consideration.

(v) The GEF Project Implementation Review

47. The Council requested the GEF Secretariat to conduct annual reviews of the status of ongoing GEF-financed projects. The first GEF project implementation review (PIR) was conducted in late 1995. The PIR should evolve as an important portfolio management tool. It involved the three Implementing Agencies, each with quite distinct information systems, management approaches to portfolio management, and different approaches to internal rating systems for project performance. The PIR was an important learning experience both for the Implementing Agencies and the GEF Secretariat. The PIR covered almost 70 projects, all drawn from the pilot phase, including about 60 which were under implementation for one year or more.

48. It is important to distinguish the PIR from evaluation. The PIR is primarily concerned with implementation progress and the identification of implementation bottlenecks and remedial actions either within the GEF and its Implementing Agencies or within the individual country. The PIR did not deal with issues of project or program impact per se; this is the role of evaluation. Also, no field work was undertaken specifically to address the concerns and issues raised at the PIR -- however, it was especially valuable to be able to discuss issues with the task managers that did attend the meeting.

49. The PIR process was organized around two distinct steps: the first centered around internal Implementing Agency reviews of its own GEF portfolio with the GEF Secretariat providing broad guidance to facilitate comparability; and second, an inter-agency meeting convened by the GEF Secretariat. The meeting was also attended by a limited number of Implementing Agency task managers and by the Chairman of STAP.

50. A final report of the PIR has been prepared and will be made available to Council Members. It includes an analysis of the time span between work program endorsement (pilot phase) and final project approval; a review of those projects which had not (as of end 1995) been approved; a summary of the project performance ratings; and a review of the pace of financial commitments and disbursements.

51. In the discussions that took place at the inter-agency meeting a number of lessons were identified. Some key issues are summarized below, although Council is invited to read the main report of the PIR which contains more detailed information.

(i) Public participation

52. One of the most striking features of the inter-agency discussion was the consensus amongst task managers that effective public involvement had contributed significantly to implementation performance. NGOs, in particular, appeared to have played an important role in this regard either as project executors, through the establishment of community-based project management groups, or by establishing a small grants scheme within a GEF project.

(ii) Project information base

53. The reporting procedures discussed during the PIR clearly identify the need for adequate baseline data for successful project implementation. This is an issue we intend to discuss with the Senior Monitoring and Evaluation Coordinator.

(iii) Implementation plans

54. The value of well-designed project implementation plans as a basis for effective project implementation was identified as an important issue. In particular, greater attention to the development of performance indicators is warranted.

(iv) Financing of recurrent costs

55. Many GEF projects depend critically upon the availability of local funds. This is especially important in biodiversity where recurrent cost financing is so important to ensure sustainability of project benefits. Initial experience of financial mechanisms such as trust funds, micro and revolving funds appears to be positive.

(v) Experience with regional and global projects

56. Regional and global projects can provide valuable inputs into project design and capacity building at the national level, and a number of GEF projects were identified as examples of this. However, other multi-country projects had experienced difficulty in obtaining country commitment. The effectiveness and the design of regional projects needs to be kept under review, and this may, at some point in the future, be a suitable topic for further in-depth evaluation work.

(vi) Implementation issues at the country level

57. National commitment to the global environment is an important factor in determining commitment at the project level. The GEF, with its emphasis upon innovation (pilot phase) and global environmental benefits, faces unusual challenges at the country level both in terms of technical capacity on the issues and clear understanding of the role and mandate of the GEF. Furthermore, national policies may not be particularly conducive to meeting global environmental objectives. For example, inappropriate energy pricing policies were singled out in three projects as being a deterrent to the effective implementation of energy conservation and renewable energy projects.

(vii) Implementation issues within the Implementing Agencies

58. Needed improvements to in-house monitoring and project tracking systems; greater continuity of task managers, especially through the early part of the project cycle; and greater emphasis on in-house staff seminars and training workshops to disseminate information of the GEF were identified as key issues to be addressed.

59. The GEF Secretariat plans to follow up on many of the issues identified in the PIR. Many organizational lessons were also identified during the PIR, and these will be incorporated into the 1996 PIR exercise.

(viii) Monitoring and evaluation

60. Council has received for its review and approval the proposed work program for monitoring and evaluation (Document GEF/C.7/5). The GEF Secretariat intends to seek advice on a number of topics from the Senior Monitoring and Evaluation Officer including advice related to the conduct and management of the PIR. In addition, there is a need to dovetail the project tracking system of the GEF Secretariat (which is just underway) and the monitoring system recommended for implementation.

CONCLUSIONS

61. The Operational Strategy provides a very helpful framework for the programming of GEF resources. The efforts described in this note complement the Strategy by focusing on potential efficiency gains as well as by providing greater clarity on a number of operational issues. Work on the various issues described in this note is progressing satisfactorily.

62. In the coming months, priority will be given to:

- (a) expediting the funding and implementation of Enabling Activities;
- (b) a careful review of the current portfolio of projects as well as PDF applications to assess their relevance to the operational programs;
- (c) the completion of all ten initial operational programs;
- (d) follow up on the key recommendations of the PIR;
- (e) the preparation of operational guidance to the Implementing Agencies on all Council approved policies;
- (f) the streamlining of inter-agency operational programming including more effective use of the GEFOP; and
- (g) the expeditious implementation of any Council policies that may materially affect operational programming and deployment of resources, including the recommendation for an expedited "pathway" for Enabling Activities and medium-sized grants.

63. If Council finds this programmatic note useful it is intended that one would be prepared for each Council meeting. For the October 1996 meeting, in addition to providing an up date on GEF operations, the note would focus upon future work program planning and the evolution of the portfolio.

Endnotes

1. Allocation means the \$ amount allocated to a project included in the Council approved work program. Commitment means the \$ amount committed at the time of approval of the final project document by the Implementing Agency.
2. For planning purposes we estimate \$15 million for each focal area on the basis of an average of 60 projects at an average cost of \$250,000.
3. The Operational Strategy notes that the operational program will contain: a clarification of the program objectives; demonstrate the link between the program's objectives and those of the relevant convention; relate the operational program to the relevant past and ongoing work of other organizations; set out the likely scope of activities; set out the means by which the Implementing Agencies will coordinate their efforts; describe the expected roles of investment, capacity building, enabling activities, technical assistance and research; identify the measures to ensure sustainability and replicability; provide an assessment of cost effectiveness and incremental costs; and describe how the program will be monitored and evaluated.
4. "A Global Representative System of Marine Protected Areas" prepared by the Great Barrier Reef Marine Park Authority, the World Bank, and the World Conservation Union (IUCN). Published by the World Bank, May 1995.
5. UNEP/CBD/COP/2/19, Decision II/6.
6. See for example, "Sri Lanka - Energy Services Delivery Project" and China - Methane Recovery from Municipal Waste Project".
7. except for enabling activities which are funded on a full cost basis.