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Agenda Item 10

FOUR-YEAR WORK PROGRAM AND BUDGET OF THE GEF EVALUATION OFFICE

(Prepared by the GEF Evaluation Office)

Recommended Council Decision

The Council, having reviewed document GEF/ME/C.40/01, “*Four-Year Work Program and Budget of the GEF Evaluation Office*,” approves the annual budget for the Evaluation Office for fiscal year 2012 for a total of US\$ 2.74 million.

The multi-annual budget for the evaluation program of the GEF Evaluation Office is approved for an amount of US\$ 5.5 million. This amount will be the first tranche to implement the work program during GEF-5. At the end of FY13 the Office will propose a second tranche for the remainder of the GEF-5 period, within a total cap of US\$ 18.56 million for both annual budget and multi-annual budget for fiscal years FY12 to FY15.

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	1
THE WORK PROGRAM AND BUDGET OF THE OFFICE FOR GEF-5	3
COUNTRY PORTFOLIO EVALUATIONS STREAM	3
IMPACT EVALUATIONS STREAM.....	5
PERFORMANCE EVALUATIONS STREAM.....	7
THEMATIC EVALUATIONS STREAM	8
KNOWLEDGE SHARING	10
BUDGET OF THE OFFICE FOR GEF-5	11
EVALUATION BUDGET DECISIONS AND REPORTING.....	14
EVALUATION OFFICE ANNUAL BUDGET	14
MULTI-ANNUAL EVALUATION BUDGET	17
SPECIAL INITIATIVES	17
HUMAN RESOURCES	18
BUDGET FY11 AND EXPECTED EXPENDITURES	20

EXECUTIVE SUMMARY

1. Over the past few years the Evaluation Office has consolidated its evaluations in four streams of evaluative work: on country portfolios, impact, performance and thematic issues. For each of these streams of work annual reports will be produced during GEF-5. Furthermore, they will be integrated into the Fifth Overall Performance Study of the GEF, which will be presented to the sixth replenishment process of the GEF.

2. This four year work program and budget presents the detailed programming of all evaluations proposed for the GEF-5 period, including OPS5 and the independent mid-term evaluations on reform processes. OPS5 has been included in the thematic evaluation stream. Furthermore the work program proposes increased efforts to translate evaluation findings into knowledge products that can be used by GEF partners, as well as increased support for evaluation capacity in partner countries, as discussed with Council in November 2010.

3. Council requested¹ the Evaluation Office to prepare for consideration at its first meeting in 2011 a work program budget in two parts:

- (a) An annual budget for fiscal year 2012 of fixed costs, such as salaries and general operational costs; and
- (b) A multi-annual budget for evaluations

4. The annual budget for FY12 includes salaries and benefits, operational costs, general travel, advisory support and publications. For FY11 the Council approved a total of \$2.74m for these budget items. The EO follows the initiative of the CEO to present a zero growth budget for its annual budget and thus proposes an annual budget for FY12 of \$2.74m to Council.

5. The multi-annual budget following from the detailed budgets per evaluation stream and for knowledge products and capacity support is \$7.1m for GEF-5, i.e. FY12-15. To ensure implementation of the work program and to accommodate expected valleys and peaks (around OPS5) of expenditure, the Office proposes that a first tranche of \$5.5m is approved at this Council meeting. At the end of FY13, the Office will ask for approval of a second tranche of \$1.6m. The Office will agree with the Trustee on a procedure for transferring funds, to ensure that the balance will remain available for investment returns.

6. Council at its June 2010 meeting also requested the Office to propose an overall cap for the Office's budgets during GEF-5.² The overall amount for the annual budget, taking into account annual increases of three percent due to inflation, is calculated at \$11.46m. Adding the multi-annual budget to this amount leads the Office to propose an overall cap during GEF-5 of \$18.56m.

7. The cap for the GEF-4 period for the Office was set at \$15.86m. Taking into account an annual increase of three percent due to inflation, this would lead to a cap for GEF-5 of \$17.84m. The work program proposed to Council leads to a higher cap of \$18.56m. This is an increase of \$0.72m, which would be a 4 percent increase in real terms. This modest increase reflects efficiencies in its operations that the Office has achieved over the past few years, as an increase

¹ Joint Summary of the Chairs, GEF Council Meeting June 29-July 1 2010, decision on agenda item 7, paragraph 9

² Ibidem, paragraph 10

in step with the overall increase in funding of the GEF and the maturing of its portfolio would lead to much higher percentages. In the Progress Report of the Director to the Council in November 2010, initial calculations showed the need for a nine percent increase.

8. Although the proposed cap shows an increase in real terms, the budget of the Evaluation Office during GEF-5 will show a decline in relative terms. Evaluation Offices of the UN tend to be budgeted at 0.8 to 1 percent of the overall budget of the UN agency. Evaluation Offices of the International Financial Institutions tend to have budgets of 0.1 to 0.2 percent of the overall budgets of the IFI, reflecting economies of scale that can be achieved with substantially higher budgets. The GEF Evaluation Office budget during GEF-4 amounted to 0.53 percent of the overall budget of the GEF. The proposed cap will reduce this percentage to 0.43.

9. Evaluation Office budgets should be compared to the overall budget of the organization, as this identifies what needs to be evaluated. Some UN agencies (most notably FAO) and most IFIs follow this practice. The Boards of the World Bank and IMF have removed the evaluation office budget from the corporate and administrative budgets of these organizations, as they feel that including them in these budgets raises issues of independence and does not reflect the proper relationship of evaluation budgets to what needs to be evaluated. The GEF Council may wish to consider whether the budget of the GEF Evaluation Office should remain in the corporate budget of the GEF in the longer run.

THE WORK PROGRAM AND BUDGET OF THE OFFICE FOR GEF-5

10. Over the past few years the Office has consolidated its evaluations in four streams of evaluative work, reported to Council on an annual basis, and leading towards the preparation and deliverable of the Fifth Overall Performance Study of the GEF. The streams of work include: performance evaluation to check upon the various efforts to improve implementation and efficiency of the GEF; country portfolio evaluations to increase the understanding of how GEF support fits into national priorities and policies; thematic evaluations to tackle cross-cutting issues and specific strategies and priorities in the GEF; and impact evaluations to measure and assess the contribution of the GEF to global environmental trends and benefits. In addition, the Office will continue to implement the GEF M&E Policy approved by Council in November 2010, including knowledge sharing activities and support to strengthen capacity on monitoring and evaluation throughout the GEF. Furthermore, flexibility to react to specific requests for evaluations is also included in this work program.

11. The following paragraphs present the Office's work program for the four streams of evaluations and the implementation of knowledge sharing and other activities that support the implementation of the GEF M&E Policy. This work program is detailed and fully budgeted for the full period of GEF-5, as requested by Council. In line with the Council decision of June 2010 the Office has prepared an annual budget, which will be approved by Council at its May/June session for the next fiscal year, and a multi-annual budget which is commensurate with the work program and evaluation products proposed.

12. This proposal leads to a peak of funding decisions on the EO budget at this session of Council, because the first tranche of the multi-annual budget needs to be approved in one decision. This does not mean that all of these funds would be transferred instantly by the Trustee to the Evaluation Office account. The Evaluation Office and the Trustee will agree on a procedure for replenishing the account when needed, so that the unspent balance will continue to gain investment income for the GEF.

13. This document first proposes the evaluation products of the Office during GEF-5. The budget for these products is presented in these sections as well. The paper then provides an overview of these budgeted products over the GEF-5 period, as well as the annual budget that ensures salaries and benefits for staff, as well as operations costs, travel not related to a specific evaluation product, and general advisory and publication costs. The next section presents the proposal of the Office for the cap for GEF-5 and provides information on how this relates to trends in budgets and actual expenditure of the Office. It raises the issue that including the EO budget in the corporate budget of the GEF does not constitute international best practice, as for example the evaluation offices of the World Bank Group and of IMF are funded outside of the administrative and corporate budgets. Lastly, the report contains sections on special initiatives and human resources.

COUNTRY PORTFOLIO EVALUATIONS STREAM

14. In the GEF-4 period country portfolio evaluations were planned and implemented on an annual basis. As discussed in the previous four year rolling work program and budget of the

Office³, during the GEF-5 period Country Portfolio Evaluations (CPE) will be run consecutively, meaning that every 3 to 5 months a new CPE will be launched. As presented to Council in the Annual Country Portfolio Evaluation Report at the May 2011 meeting, a new modality of Country Portfolio Studies (CPS) will provide additional country level coverage. These studies have a limited scope but benefit from on-going parallel evaluations of independent evaluation offices of the GEF. They will also run consecutively. All evaluations and studies are discussed in the country concerned at a final workshop. In the case of CPEs, the country is invited to provide a response to the evaluation. All CPEs and CPSs are published on the website of the Office. Annual reporting on findings and recommendations takes place in the Annual Country Portfolio Evaluation Report which is presented to Council at its May/June session.

15. The Office has begun the new multi-annual CPE cycle in FY11 by launching three evaluations in the LAC region. One started in September 2010 in Nicaragua and a second in January 2011 for a cluster of member countries of the Organization of Eastern Caribbean States (OECS). The third CPE is expected to start in May 2011 in Brazil. These CPEs will be followed by CPEs in the other regions in the coming years. In addition, CPSs will be undertaken where possible and will add to the coverage of GEF support throughout the regions during GEF-5.

16. The multi-annual CPE budget has been prepared focusing on 14 countries preselected on the basis of the quantitative criteria indicated in the new countries' selection procedure.⁴ Costs for completion in FY12 of the ongoing CPEs in OECS and Brazil have been included in the budget.⁵ Quantitative criteria used for ranking countries in the budget scenario include the diversity, financial weight and maturity of the portfolio. The estimated CPE cost depends on the financial size and the number of projects of the portfolio as well as the number of completed projects (portfolio maturity). Bigger and more mature portfolio will need a higher budget for the CPE to ensure adequate field visits, data collection and analysis.

17. CPEs in large recipient countries are currently budgeted at \$195k. Mid-size portfolio evaluations are budgeted according to regional differences and vary from \$120k-\$145k. Relatively small portfolio CPEs are budgeted at \$90k-\$100k. The CPSs will be undertaken on a basis of emerging possibilities for collaboration with independent evaluation offices of the GEF Agencies and are budgeted at \$60k per study. Five of them are foreseen during the GEF-5 period.

18. The budget for CPEs and CPSs starting in the first three years of GEF-5 amounts to \$1.7 million. The total budget estimate for the GEF-5 period is \$2.2 million. The following table relates the products to these numbers:

³ GEF/ME/C.38/1

⁴ The new country's selection procedure is available on the Office website (www.thegef.org/gef/node/2054). The final choice of countries per region will be done on an ongoing basis on the grounds of the qualitative criteria also indicated in the selection procedure, which include evaluability and synergies with evaluations conducted by the independent evaluation offices of GEF Agencies as well as with thematic subjects on the GEF Council agenda, amongst others.

⁵ The CPE in Nicaragua is expected to be completely funded in FY11 – it will be finalized in May and June of 2011.

Table 1 – Country level evaluations budget for GEF-5				
In \$k		FY12-FY14	FY14-FY15	Totals
LAC	OECS CPE	75	0	75
	Brazil CPE	195	0	195
	Cuba CPE	130	0	130
Asia	CPE1	195	0	195
	CPE2	135	0	135
	CPE3	135	0	135
	CPE4	100	0	100
	CPS	60	0	60
	CPS	60	0	60
Africa	CPE1	145	0	145
	CPE2	140	0	140
	CPE3	120	0	120
	CPE4	90	0	90
	CPS	60	0	60
	CPS	60	0	60
MENA	CPE	0	125	125
	CPS	0	60	60
ECA	CPE1	0	190	190
	CPE2	0	125	125
Totals		1,700	500	2,200

IMPACT EVALUATIONS STREAM

19. The outline of the impact work during GEF-5 was presented to Council in the previous four-year rolling work plan and budget, which was discussed in Council in June 2010. The Office plans to undertake three types of impact related evaluations:

- (1) Assessment of the quality of information regarding impact of GEF activities (including those available through the tracking tools) and providing inputs to the GEF partnership on ways to improve it.
- (2) Reviews of a particular cohort of GEF projects (i.e., within a particular focal areas) by synthesizing the relevant information on impact available from various sources such as PIRs, tracking tools, etc.
- (3) Identifying cases, extent and nature of impacts that have taken place and understanding the processes through which these impacts are taking place.

20. During GEF-5 the Office will implement six specific activities. The **first** is the impact evaluation of the International Waters focal area, focusing on the assessment of impacts of GEF activities in the South China Sea and adjacent areas. The evaluation is expected to be completed by the end of FY12 – its overall costs, spread out over several years, is expected to amount to \$440k, of which a substantial amount (\$280k) has already been spent in FY11. The evaluation

will be published separately but reported on to Council in the Annual Impact Evaluation Report 2012.

21. The **second** activity will be an impact evaluation of the climate change focal area, focusing on mitigation activities, which will start up during FY12. Initial discussions have already been held to identify the issues that the evaluation will need to tackle. This impact evaluation will provide a crucial input into OPS5. Its budget is calculated at \$160k.

22. The **third** activity will be an impact evaluation of the biodiversity focal area. With this evaluation the impact stream will return to biodiversity issues, which was the first subject for impact evaluation when the work started in 2006. That first study focused on protected areas, whereas OPS5 will need to be informed on the impact of the more recent approaches on integrated natural resource management. This evaluation is calculated to cost \$265k.

23. The **fourth** activity concerns the preparation and partial implementation of an impact evaluation of either POPs or Land Degradation, given the developments in their portfolios. An amount of \$145k should be reserved for this impact evaluation.

24. Assessing the quality of arrangements for monitoring impacts in GEF full size projects will be the **fifth** activity undertaken. GEF Full Size Projects will be analyzed on impact indicators and monitoring arrangements for these indicators, as presented at CEO endorsement. This will be followed up by a field assessment to track progress. The pilot assessment will be undertaken in FY12. A panel of two members that have recognized expertise in the given subject will review the M&E design of selected projects from an “impact evaluation” perspective. The assessment will be undertaken by the office in collaboration with STAP. About 60 projects are planned to be considered. The pilot will be followed by another assessment in FY14 to track changes in the system. All in all \$122k is budgeted for this activity.

25. Lastly, additional work (the **sixth** activity) will be done to ensure the quality of the work (through peer reviews and other interactions with STAP and the evaluation community) and to synthesize impact findings for OPS5, through further analytical work and meta-evaluations. An amount of \$50k has been budgeted for this activity.

26. Reporting on this impact work will be done primarily through the Annual Impact Evaluation Report, which is presented to Council at its November session. All evaluations and studies are published on the website of the Office. The impact evaluation stream will also publish technical documents and knowledge products where appropriate and feasible. Where collaborating with partners, such as STAP, joint publications will be pursued.

27. The budget for the tasks starting in fiscal years FY12-14 is \$900k. Outputs from each of these activities will be reported to Council on an annual basis, through the Office’s Annual Report on Impacts (to be presented at the November Council meetings). The total amount for impact evaluations in the GEF-5 period is calculated at \$1.25 million. Table 2 summarizes the products and their budgets during GEF-5.

Table 2 - Impact evaluations budget GEF-5			
In \$k	FY12-14	FY14-15	Total
South China Sea	\$160	\$0	\$160
CC mitigation	\$160	\$0	\$160
Biodiversity	\$265	\$0	\$265
POPs & LD	\$145	\$250	\$395
Project level impact	\$120	\$100	\$220
Input into OPS5	\$50	\$0	\$50
Totals	\$900	\$350	\$1,250

PERFORMANCE EVALUATIONS STREAM

28. Work in the Performance Stream will focus on two areas: first the on-going work for the Annual Performance Report and second the independent mid-term reviews of reform processes identified in the GEF-5 replenishment agreement. Of these mid-term reviews Council has asked the Evaluation Office to prepare two during the GEF-5 period: one on the STAR system and one on the National Portfolio Formulation Exercise and Convention Reports, with direct access for countries. A possible third mid-term review has been discussed in the replenishment negotiations and the Council, focusing on the possible expansion of GEF agencies through Article 28. No final decision has been taken and if it would materialize, it is possible that the mid-term review would take place at the start of GEF-6.

29. The independent mid-term reviews currently planned to take place will be presented to Council for discussion and decision-making. As has happened with the mid-term review of the RAF, extensive consultations will take place with the Council, management and the GEF partners to ensure that the key questions of these mid-term reviews are relevant for current practice as well as future reform decisions in the GEF.

30. The budget for activities starting in the FY12-FY14 period is calculated at \$830k. The overall budget for the performance stream during GEF-5 amounts to \$1 million.

Annual Performance Report

31. The Annual Performance Report of the GEF is the hallmark product for the performance evaluation stream. It presents a detailed account of the performance of the GEF portfolio in terms of project results, processes that may affect project results and monitoring and evaluation (M&E) arrangements in completed projects. The preparation of APRs includes the implementation of special evaluations, studies and assessments to be determined and selected throughout the year. These reports are presented to the May-June Council meetings. The Annual Performance Report 2010 did not have any special studies, but in the GEF-5 period these studies, which were usually done on a bi-annual basis, will be taken up again, and focus on issues like co-funding or the quality of supervision. Each APR is calculated to cost \$90k, which also reflects efficiency achievements over time, partly achieved through a more streamlined involvement of the independent evaluation offices of the GEF Agencies. This leads to a total amount of \$360k for the four APRs during GEF-5, of which \$270k is budgeted in the first tranche for the evaluation budget of the Office.

Council requests for independent mid-term evaluations

32. During the negotiation process for GEF5 three independent mid-term evaluations were discussed on the following reforms which will take shape during this period: STAR (the new resource allocation system of the GEF); direct access to selected GEF activities and resources by recipient countries; and the implementation of the Council decision on broadening of the GEF partnership under Paragraph 28 of the GEF Instrument. Of these reforms, two have now been approved for GEF-5: STAR and direct access. Both mid-term evaluations will start in FY12-FY14 and have been budgeted at \$370k for the STAR review and \$180k for the NPFE/Convention Reports evaluation. The STAR review budget represents a substantial savings versus the RAF mid-term review, which was budgeted at \$500k and had actual expenditure of \$468k. This savings is possible because some components of the RAF review do not need to be included in the STAR review, such as the Delphi exercise to establish the validity and credibility of ratings. On the other hand some components will need more work because Land Degradation has been included as a third focal area in the STAR.

33. Methodology development and quality assurance on performance issues require a budget of \$80k over the period FY12-FY14 to ensure that the studies undertaken in the APR, as well as further improvements in guidelines, indicator development and the quality of M&E in the GEF on performance issues is maintained and further strengthened. In the remainder of the period one APR, continued work on guidelines and methodology development as well as preparations of the Article 28 mid-term evaluation are budgeted. Table 3 summarizes the products and their budgets during GEF-5.

Table 3 – Performance evaluations budget GEF-5			
In \$k	FY12-14	FY14-15	Total
APR2011	\$90	\$0	\$90
APR2012	\$90	\$0	\$90
APR2013	\$90	\$0	\$90
APR2014	\$0	\$90	\$90
STAR mid-term evaluation	\$370	\$0	\$370
NPFE/Convention reports mid-term evaluation	\$180	\$0	\$180
Guidelines/methodology	\$80	\$20	\$100
Article 28 mid-term evaluation	\$0	\$90	\$90
Totals	\$900	\$200	\$1,100

THEMATIC EVALUATIONS STREAM

34. Thematic evaluations in GEF-5 will cover evaluations of cross sector topics ranging from strategies and policies to cross-cutting programs. An annual report will be prepared for Council at its November meetings synthesizing the findings and recommendations from evaluations completed in the previous 12 months. By dealing with cross-cutting issues, thematic evaluations look for synergies and take full advantage of data collected and analysis completed as well as the key findings and recommendations coming from other evaluations conducted in the Office as well as by others GEF Agencies independent evaluation offices. Lastly but perhaps most importantly, this evaluation stream will coordinate the work for the Fifth Overall Performance

Study of the GEF and implement the specific studies that will be needed for OPS5. One of the first activities leading into OPS5 will be to evaluate the focal area strategies. Implementation of three thematic evaluations starting in the first three years of GEF-5 is budgeted at \$780k for the next three fiscal years. OPS5 is budgeted at \$1.15 million. During the last phase of GEF-5 the start of two thematic evaluations leading into GEF-6 are foreseen. No subjects are identified yet – but the practice during GEF-4 has been that thematic evaluations have been requested by Council or suggested by Management, and the Office would want to continue this practice. The total budget for GEF-5 is calculated at \$1.89 million.

National Capacity Self-Assessments (NCSAs) Evaluation

35. The GEF has provided about \$30 million for 153 NCSAs since 2002 (out of 165 eligible countries). The scope of the evaluation will include an assessment of all approved NCSAs, the GSP and the second phase projects, using different tools and existing evaluative information. The evaluation is expected to be included in the first Annual Thematic Evaluations Report at the November 2011 Council. There will four areas: relevance of NCSAs to the GEF, conventions and national agendas; efficiency in the processes; effectiveness of the main achievements; and the long-term results of NCSAs at country (each individual grant) and global levels (aggregated).

Enabling Activities Evaluation

36. The GEF has provided support to countries to fulfill their reporting requirements to the global conventions that the GEF serves. It is estimated that the GEF has provided about \$360 million (with about \$68 million in cofinancing) for almost 900 enabling activities projects. These figures also include regional and global projects and programs that supported the preparation and implementation of these projects. The evaluation will focus on each of the focal areas and will take into account the findings and recommendations coming from the NCSA evaluation. The scope of the evaluation will include four criteria: relevance to the GEF, conventions and national agendas; efficiency of preparation and implementation (including comparison between different implementation modalities, such as national, regional and global); effectiveness of achieved outcomes and long-term results, including their sustainability.

Focal Areas Strategies Evaluation

37. The GEF replenishment process has approved strategies for each of the six focal areas of the GEF (biodiversity, land degradation, climate change, ozone depleting substances and international waters). As highlighted in the Progress Report of the Director to Council in November 2010 OPS4 did not contain evaluative evidence on the new strategies of the focal areas, which should be explored in OPS5. The Evaluation Office plans to evaluate the strategies from the point of view of their relevance to the global environmental convention they are associated with, the efficiency of the process in which they were developed and approved, and any results they have already achieved (for example, through an assessment of progress towards achieving the agreed indicators and targets). This will be an essential input of evaluation evidence for OPS5.

Fifth Overall Performance Study (OPS5)

38. As discussed with Council in the November 2010 meeting, OPS5 will deliver two concrete products to the replenishment process: a first synthetic report that will provide an overview of trends in performance, achievements, results and impact of the GEF as evident in the four evaluation streams of the Office. The second and final report will be presented to the replenishment in the final stage of the replenishment and will contain additional studies that tackle specific questions and issues that Council would like to see in OPS5, for example following up on key questions that were present in OPS4 or on issues that would be specially relevant to the replenishment process. The Office will consult the Council in a timely manner on these specific studies. Some initial work has already started for OPS5: the Office has joined an initiative to learn lessons from recent comprehensive evaluations of funds, agencies and global programs, to ensure that OPS5 will be managed and implemented according to the best international standards.

39. Taking into account the costs for OPS3 and OPS4, the Office is now able to significantly reduce the costs of OPS5 to a total of \$1.15 million. Table 4 compares the costs of these three overall performance studies. Table 5 provides an overview of the thematic evaluations budget during GEF-5.

Table 4 – Comparison of OPS (in \$k)		
OPS3	Actual costs	2,142
OPS4	Actual costs	2,231
OPS5	Budget	1,150

Table 5 – GEF-5 budget for thematic evaluations			
In \$k	FY12-FY14	FY14-FY15	Totals
NCSA evaluation	120	0	120
Enabling Activities	90	0	90
Focal Area Strategies	210	0	210
OPS5	1,000	150	1,150
Thematic evaluation 1	60	100	160
Thematic evaluation 2	40	120	160
Totals	1,520	370	1,890

KNOWLEDGE SHARING

40. In addition to the four streams of evaluation, the Office increasingly programs synthetic work on its body of evaluative evidence, as well as meta-evaluations on specific issues, such as the report on evidence on involvement of the private sector in GEF operations, which has been undertaken as a follow-up of the Earth Fund evaluation. Three synthetic studies have been undertaken so far and been disseminated and published on the Evaluation Office website. These studies do not have the GEF Council as its primary audience, but aim to make evaluative evidence available to GEF partners. These studies are budgeted at \$25k. Two of them are

planned per year, with four planned in the final year of GEF-5 as this will focus on providing knowledge products emerging out of OPS5.

41. During GEF-5 the Evaluation Office will focus on enhancing institutional learning and use of evaluations, transforming evaluative knowledge into action, innovation and change. The communication strategy for the Office will allow better communication of evaluation results to the broader audience, including the media and the global environment actors on a professional level. Knowledge sharing activities will be used to strengthen participatory planning for evaluations, forward-looking communication of evaluations to the key GEF stakeholders, and application of innovative means to present the findings and recommendations in a more user-friendly manner. An amount of \$175k has been budgeted for the activities planned in outreach and support to the implementation of the GEF M&E policy during GEF-5.

42. The Evaluation Office will continue building capacity of evaluation practitioners via hosting of the community of practice on evaluation of climate change and development. The community will work on identification of good practices and development of indicators and guidelines for monitoring and evaluation of climate change initiatives. An amount of \$235k has been budgeted for this support, with higher levels of support in the first two years and gradually lower support near the end of GEF-5, when the Community of Practice will have reached maturity and delivered its products.

43. An amount of \$660k is budgeted for these activities during GEF-5, of which \$480k is included in the first tranche proposed to Council, as shown in table 6.

Table 6 – Knowledge products budget GEF-5			
In \$k	FY12-14	FY14-15	Total
Synthetic studies	150	100	250
Outreach & policy support	150	25	175
Support to capacity dev. & Community of Practice	180	55	235
Totals	480	180	660

BUDGET OF THE OFFICE FOR GEF-5

44. As requested by the Council in June 2010, the GEF Evaluation Office has developed a budget proposal which divides out the proposed funding during the GEF-5 period (FY12-FY15) into an annual corporate budget consisting of salaries and benefits, as well as various returning annual costs such as operations costs, travel to general GEF meetings and publications, as well as a multi-annual budget that enables the office to conduct its multi-annual evaluation program without enforcing a rigid planning per fiscal year.

45. The cap to be established for the Office requires precise calculations, as the annual expenditure over the previous four fiscal years varied to accommodate the peak of funding when implementing OPS4. This peak in funding led to the recognition that the evaluation work program should be funded through a multi-annual rather than an annual budget, which led the Council to approve this principle, which is now being applied for the first time. The total cap that was established by the Council for the GEF-4 period (FY08-FY11) was US\$ 15.869 million.

Over this period the Office’s actual overall expenditure is expected to be around US\$ 15.5 million. Savings of about \$300k were achieved especially in the last two fiscal years, when the financial and budget management systems of the Office were improved and strengthened by establishing an operations and knowledge management team in the office, led by the Operations Evaluation Officer. Further improvements and cost savings are expected in the following years, which would mean that the cap set by the Council for the GEF-5 period would not be the ceiling that the Office would aim for, but the ceiling that we would relate our savings to.

46. In order to calculate a possible cap that would follow the three percent annual increase related to inflation, which has been the practice in the GEF, the cap for GEF-4 of \$ 15.869 million has been taken to calculate what the annual budgets would have looked like if a normal progression of annual budgets with three percent increases had taken place. This leads to a “recalculated” budget of \$ 4.14 million for FY11, as is shown in table 7 and figure 1. Taking this budget of \$4.14 million as a starting point, the calculations lead to an amount of \$ 17.8 million for GEF-5 if the normal increase of three percent for inflation is followed, as is shown in table 8.

Table 7 - Actual expenditures and recalculated annual budgets over GEF-4					
In \$m	FY08	FY09	FY10	FY11	Totals
Actuals	3.46	4.64	3.79	3.65	15.54
Recalculated with 3% annual increase	3.79	3.91	4.02	4.14	15.86

Figure 1 – Actuals vs. Recalculated budgets

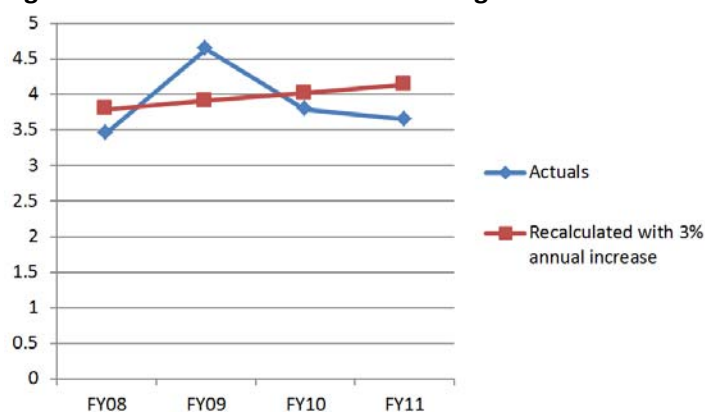


Table 8 - GEF-5 budgets calculated annually with 3% inflation increase					
In \$m	FY08	FY09	FY10	FY11	Totals
Annual budgets (hypothetical)	4.26	4.39	4.52	4.66	17.84

47. Continuing the evaluation program as executed during GEF-4 through GEF-5 can be implemented with a total budget of \$ 17.84 million for the GEF-5 period. However, this work program would lead to a lower evaluation coverage for the GEF-5 period as compared to the GEF-4 period, as the work program and budget would not keep pace with what the Evaluation Office needs to evaluate: the work program of the GEF, including its strategies, modalities and programs. Furthermore, as the GEF portfolio continues to mature over time, and more projects are finished, evaluations will need to cover larger portfolios of finished projects. The progress report from the Director of the Evaluation Office to Council in November 2010 contained a

series of developments that should provide justification for an increase of the overall cap of the Office over the GEF-5 period:

- The “evaluendum” of the Office, i.e. what the Office needs to evaluate, has increased with about 40 percent and even if current GEF funding would turn out to be lower than expected, still a substantial rise is foreseen as projects from previous periods are maturing and the collaboration with partner countries is increasing in complexity;
- The reform process in the GEF continues with requests for independent mid-term reviews incorporated in the GEF-5 policy recommendations and subsequent Council decisions; furthermore, the number of strategies, programs and initiatives that need to be evaluated have increased;
- Council has repeatedly asked the Office to engage more in Evaluation Capacity Development in its member countries, which will require a moderate investment in tools and support that could be given in the framework of on-going evaluations;
- The peer review included in OPS4 noted underfunding of current evaluation practices in the Office: notably country portfolio evaluations and the extent to which evaluations were able to cater to knowledge needs in other GEF parties than the Council;
- The Office is facing increased costs in many partner countries due to the decrease in value of the US\$ vis-à-vis many major currencies.

48. The budget of the proposed evaluation work program, as well as the development of the annual budget show that the office would need overall \$18.56 million for the full GEF-5 period to maintain coverage and deliver its products to Council. To tackle the rising costs of the evaluation program an additional increase of \$0.72 million is calculated, which would amount to a modest increase of 4 percent on top of the inflation related 3 percent annual increase. The Evaluation Office proposes to the Council to approve a cap of \$18.56 million for the Office for the GEF-5 period, as shown in table 9.

Table 9 – Proposed increase for GEF-5 (in \$m)	
Calculated cap for GEF-5	17.84
Budget proposed for GEF-5	18.56
Proposed increase	0.72
Percentage increase	4.04%

49. The budget of the Evaluation Office as a percentage of the corporate budget will decline from 17 percent in the GEF-4 period to 15.8 percent in the GEF-5 period, as shown in table 10. As has been pointed out before, the budget of the Evaluation Office should more properly be compared to the overall programming budget of the GEF. In general, evaluation offices in the UN tend to take 0.8 to 1 percent of the overall programming budget of the organization concerned, whereas evaluation offices in the international financial institutions tend to take 0.1 to 0.2 percent of the overall programming budget, reflecting economies of scale that can be achieved when the overall budget is relatively high. The GEF Evaluation Office budget over GEF-4 amounted to 0.53 percent of the overall programming budget of GEF-4 and this will decline to 0.43 percent of the overall programming budget for GEF-5, as shown in table 11.

Table 10 – EO budget as % of corporate budget			
In \$m	Corporate budget	EO	%
GEF-4	93	15.86	17%
GEF-5	120	18.56	16%

Table 11 – EO budget as % of evaluendum			
In \$m	Evaluendum	EO	%
GEF-4	3,000	15.86	0.53%
GEF-5	4,300	18.56	0.43%

50. The annual budget of the GEF Evaluation Office starts in FY12 from the exact same level as what has been budgeted for these lines in the FY11 budget: \$2.74 million. This is not immediately visible when comparing with previously approved “fixed cost” budgets of the Office, because these “fixed costs” budgets did not include several cost categories that are variable, but nevertheless should be budgeted annually. In the section below on the annual budget a full explanation and calculation is given. By keeping the annual budget at a zero increase approach the Office will this year be able to follow the lead of the CEO in presenting a zero increase in at least part of its budget, given the current fiscal difficulties in many member states of the GEF.

51. The multi-year evaluation program will require an input of \$5.5 in FY12, to ensure that the evaluations that are planned to take place in the coming years can be funded. It is expected that in FY14 a last request for the multi-year evaluation program amounting to \$1.6 million will be submitted for Council approval. This leads to the development in the EO budget as presented in table 12.

Table 12 – EO budget development during GEF5					
In \$m	FY12	FY13	FY14	FY15	GEF-5 cap
Annual budget	2.74	2.82	2.91	2.99	11.46
Multi-year evaluation program	5.50	0.00	1.60	0.00	7.10
Totals	8.38	2.82	4.61	2.99	18.56

52. The rise in the cap of the budget for evaluation is kept modest in terms of real increase (four percent) compared to similar rises that evaluation budgets of the international financial institutions have seen when their capital and grant funding was increased in recent years. For example, the budget of the Independent Evaluation Group of the World Bank Group has increased with 26 percent in recent years, to acknowledge the growth in funding available through IDA and IBRD. Furthermore, the GEF Corporate Budget has seen a growth in real terms from GEF-4 to GEF-5 of 17 percent – the nominal growth is 29 percent, of which 13 percent is aggregated inflation related growth. In this light a growth percent of four highlights the Office’s efforts to improve efficiency in its operations.

EVALUATION BUDGET DECISIONS AND REPORTING

53. The Evaluation Office budget has since 2008 been approved by the Council under the agenda item of the Corporate Budget of the GEF. A separate discussion on the merits of the

proposed evaluation program and commensurate budget has always been included in the monitoring and evaluation agenda-items of the Council meetings. Before 2008 this separate discussion also led to a separate decision. From 2008 onwards the decision took place under the agenda item for the corporate budget. This shift in the GEF from a separate decision on the evaluation budget to a decision on the budget as part of the corporate budget is contrary to developments in other international financial institutions.

54. Two examples from Washington DC may illustrate this. The budget and work program of the Independent Evaluation Group of the World Bank is approved by the Committee of Development Effectiveness of the Board of the Bank. The budget is accounted for as “below the line”: neither part of the administrative budget of the Bank, nor part of the corporate budget, but in a special category with the Board budget. The same practice is followed at the IMF, where the Independent Evaluation Office is funded out of the Board budget. Other International Financial Institutions are moving or have moved in this direction as well. These practices are aimed to ensure the independence of the evaluation office concerned. The corporate budget is after all prepared and proposed by management. Though GEF management has never interfered in the preparation of the evaluation budget, for which it should be applauded, the perception of dependence needs to be avoided.

55. While the budget of the Independent Evaluation Group of the Bank is “below the line” as regards the administrative and corporate budgets of the Bank, it should be stressed that IEG follows all Bank rules regarding accounting, procurement and reporting on expenditure. Similarly, the Evaluation Office follows all applicable Bank rules and prepares its budgets and reporting according to traditions established in the GEF.

56. The Council may want to review the current practice to incorporate the Evaluation Office in the corporate budget and consider whether changes should be made in the longer run.

EVALUATION OFFICE ANNUAL BUDGET

57. The Evaluation Office’s approved budget for fiscal year 2011, shown in table 13 below, includes a section on “fixed costs” of \$2.51 million, with a “variable costs” budget of \$1.23 million. This division did not fully recognize that some costs which should be budgeted annually were included in the “variable” section rather than the “fixed” section. This concerns the Management & Advisory Services, Publications, and Networks and GEF Meetings.

Table 13 – EO fiscal year 2011 budget and fiscal years 2009 and 2010 expenditure			
(USD in thousands)	FY09 expenditure	FY10 Expenditure (actual)	FY11 Approved budget
Total Fixed Costs	2,514	2,214	2,510
Staff Costs	2149	1,926	2,200
General Operations Costs	365	290	310
Total Variable Costs	2,131	1,577	1,235
Management & Advisory Support	97	28	40
Publications, Knowledge	201	109	200
Networks & GEF Meetings	35	75	90
Evaluations			
Country	176	200	405
Impact	190	90	210
Thematic	66	74	150
Performance	123	82	140
OPS4	1,243	919	0
Total	4,645	3,791	3,745

58. Re-arranging the budget lines according to what should be submitted annually and what should be submitted for the multi-annual budget, the annual part of the budget of the Office has to be derived from the following budget lines of the FY11 budget, as shown in table 14:

Table 14 – Budget lines in FY11 approved budget related to annual costs	
In \$k	Budget
Staff Costs	2,200
General Operations Costs	310
Management & Advisory Support	40
Publications (annual) Knowledge (multi-annual)	200
Networks & GEF Meetings	90
Total	2,840

59. However, the “publications and knowledge” budget line incorporated multi-annual elements as well in the form of knowledge products and knowledge management related to evaluations. Especially synthetic work and meta-evaluations that build on evaluative evidence from on-going and finished evaluations need to have a multi-annual budget. Separating this out from the FY11 budget leads to the following amount for the Council approved FY11 budget that is “annual”, as shown in table 15:

Table 15 – Annual budget lines in the FY11 approved budget	
(USD in thousands)	Budget
Staff Costs	2,200
General Operations Costs	310
Management & Advisory Support	40
Publications	100
Networks & GEF Meetings	90
Total	2,740

60. Thus, the same amount of \$2.74 million for FY11 is requested for the FY12 annual budget of the Evaluation Office. Below follow justifications for the requested budget items.

Participation in GEF Meetings and Evaluation Networks

61. **Support to GEF Focal Points:** for several years the Office has participated in the subregional workshops organized by the GEF Country Support Programme conducting training and consultations on several topics. Consistently, the GEF Focal Points have requested more capacity on how to monitor and evaluate their GEF national portfolios. Focal Points are after all the only mechanism to conduct M&E at the country portfolio level, across GEF Agencies and focal areas. The Office continues to provide an input into the expanded constituency workshops and continues to be available for focal points on M&E issues.

62. The Office will continue to interact with the **global evaluation community**. The Evaluation Office participates in the UN Evaluation Group and the Evaluation Cooperation Group of the International Financial Institutions. This allows the Office to continue to apply best international standards and practices in its evaluation work. Furthermore, participation in international evaluation conferences will allow the Office to test out new and innovative approaches in the professional community of evaluators. Where possible, attendance to such conferences will also be promoted from a perspective of professional development of staff of the Office.

Management & Advisory Support and Publications

63. The first budget line has been used to ensure that the Office would receive timely inputs into over-arching issues that need to be addressed, for example on early preparation for upcoming studies or advise on developments in the evaluation community. This budget line has gone down over the years, reflecting that the Office is now more in a face of consolidation than in years when new evaluation products such as country portfolio evaluations and impact evaluations had to be developed.

64. Publications in hardcopy continue to be necessary given the fact that many member countries of the GEF still experience challenges to be fully connected to the worldwide web. Over the coming years the Office plans to further diversify the way it publishes its documents.

Expected Development of the EO Annual Budget during GEF-5

65. The annual budget of the Evaluation Office is expected to develop as shown in table 16.

Table 16 – FY12-15 annual budget of the GEF Evaluation Office					
In \$k	FY12	FY13	FY14	FY15	Totals
Salary/Benefits	2,230	2,297	2,366	2,437	9,329
General Operations Costs	320	330	339	350	1,339
Management Support	40	41	42	44	167
Networks & GEF meetings	100	103	106	109	418
Publications	50	52	53	55	209
Totals	2,740	2,822	2,907	2,994	11,463

MULTI-ANNUAL EVALUATION BUDGET

66. The overview of the multi-annual evaluation budget, as emerging out of the proposed work program of the Office, is shown in table 17:

Table 17 – FY12-15 evaluation budget of the GEF Evaluation Office			
In \$k	FY12-FY14	FY14-FY15	Totals
Country Portfolio Evaluations	1,700	500	2,200
Impact	900	350	1,250
Performance	900	200	1,100
Thematic Evaluations (incl. OPS5)	1,520	370	1,890
Knowledge Products	480	180	660
Totals	5,500	1,600	7,100

SPECIAL INITIATIVES⁶

Community of Practice on Evaluating Climate Change and Development

67. The community of practice on evaluating climate change and development (Climate-Eval) started in FY10 with financial support of the governments of Sweden and Switzerland. It is a continuation of the Evaluation Office's previous initiatives aimed at strengthening environment and development related evaluation capacity across the globe.

68. One of the most important achievements of the initiative has been engaging 373 practitioners (individuals and organizations) on a virtual forum platform in an innovative peer to peer discussion mechanism while strengthening their capacity. The Climate-Eval members come from 84 countries, and a majority hails from developing countries. Two studies, a meta-evaluation on mitigation and the M&E adaptation framework are under way and it is expected that these will be ready by the end of 2011. Both studies contribute to establishing good

⁶ Special initiatives of the Office are financed through voluntary funding outside the budget approved by Council and implemented by staff financed by that funding. The special initiatives trust fund of the Office has been set up with the approval of the Council in 2006.

practices, benchmarks and guidelines on monitoring and evaluation frameworks for climate change mitigation and adaptation on the local level.

69. Special efforts have been made to include the Central Asia region in the work of Climate-Eval, which has led to the presentation of a Central Asian study on adaptation at a recent international conference in Amman, Jordan. Furthermore, Climate-Eval established a formal collaboration with the Southeast Asia Community of Practice for Monitoring and Evaluation of Climate Change Interventions (SEA Change), hosted by PACT. During FY11, a new electronic library has been created containing more than 474 titles on climate change evaluation and it has been organized in seven selection criteria, area, cluster, institution, level, region, type and year. A paper with a complete description of each selection criteria and useful statistics for the analysis of the documents is under development.

70. The Evaluation Office so far has depended on external funding to provide support for the global evaluation community on issues that are of core concern to the Office and the GEF: best practices, benchmarks, learning from emerging practices and development of standards and guidelines. Given the importance of this work for knowledge products of the Office, the core support for Climate Eval will be provided from the knowledge products budget of the Office.

Initiative to Draw Lessons from Comprehensive Evaluations of International Organizations

71. In 2010 an initiative group was established to draw lessons from recent overall comprehensive evaluations of international funds, agencies and global programs. These evaluations range from the overall performance studies of the GEF to evaluations of funds of the International Financial Institutions, such as IDA and the Development Fund of the African Development Bank, as well as independent external evaluations of UN organizations like IFAD and FAO. No mechanism exists to exchange experiences and identify best practices. The group is preparing a meta-evaluation of comprehensive evaluations. The GEF Evaluation Office is coordinating this effort for the time being as the benefits for OPS5 are clear. The initial contribution of the Office is paid out of preparatory funds for OPS5 and amounts to \$25k. IFAD's Office of Evaluation has also contributed \$25k and this funding will be sufficient to start up the meta-evaluation. The work is expected to culminate in a workshop in the second half of 2011, after which a second phase may follow, depending on the results of the workshop.

HUMAN RESOURCES

72. Some minor changes in the Office's staff took place during FY11. One of the Evaluation Officers was promoted to a senior position and the knowledge management officer was recruited, as proposed to Council in June 2010. In fiscal year 2012 some further changes are expected which will not lead to an increase in staff in the Office. To recognize the increasing complexity of the evaluation work done and the technical expertise required the promotion of one of the seniors to a lead evaluation position will be considered, as well as the promotion of the evaluation operations officer to a senior operations officer. There will be a minor impact on the budget.

73. No increase in regular staff is foreseen, as the four evaluation teams in the Office are recruiting temporary support tied to the evaluation work. Where needed and appropriate,

extended term consultants support the evaluation streams, and in several cases possibilities have been identified to hire junior professional associates. One junior professional officer may join the Office in the second half of 2011. These consultants and temporary staff are funded out of the respective evaluation streams, as their work is related directly to the evaluations undertaken. In addition, evaluations hire local evaluators and senior evaluators on a contractual basis for one specific evaluation.

FY11 actual		FY12 proposed
1	Director	1
1	Chief Evaluation Officer	1
0	Lead Evaluation Officer	1
4	Senior Evaluation Officers	3
0	Senior Evaluation Operations Officer	1
2	Evaluation Officers	2
1	Evaluation Operations Officer	0
1	Knowledge Management Officer	1
2	Program Assistants	2
13	Total	13

BUDGET FY11 AND EXPECTED EXPENDITURES

74. Table 18 below provides a report comparing the approved budget for FY11 and the estimate for expenditures until the end of FY11 (June 30, 2011). In addition, and as a reference, the table also shows the approved and actual expenditures for FY10. In both fiscal years, the Office had (or it is expected to have) under-runs. Changes between approved and actual expenditures per line occur for different reasons. For example, the General Operations Costs have increased due to the move to the new offices, where rent is higher; a few activities in the thematic evaluations will be delayed to next fiscal year; performance activities were completed with higher levels of inputs from the regular staff; the cost of the impact evaluation in the South China Sea is expected to be higher than budgeted.

Table 18 – FY10 and FY11 budget details (in \$k)				
FY10 Budget			FY11 Budget	
<i>Approved</i>	<i>Actual Expenditures</i>		<i>Approved</i>	<i>Estimate until the end of FY</i>
<i>(June 2009)</i>	<i>(as of June 30, 2010)</i>	<i>Fixed Costs</i>	<i>(May 2010)</i>	<i>(as of April 20, 2011)</i>
\$ 2,123	\$ 1,924	Staff Cost	\$ 2,200	\$ 2,177
\$ 301	\$ 290	General Operations Costs	\$ 310	\$ 357
\$ 2,424	\$ 2,214	Total Fixed Costs (A)	\$ 2,510	\$ 2,534
		Variable Costs		
		Cross-cutting Activities		
\$ 40	\$ 28	Management & Advisory Support	\$ 40	\$ 77
\$ 165	\$ 109	Publications & Knowledge Management	\$ 200	\$ 140
\$ 20	\$ 75	Networks & GEF Meetings	\$ 90	\$ 112
\$ 225	\$ 212	Sub-total (B)	\$ 330	\$ 329
		Evaluations		
\$ 225	\$ 200	Country Portfolio	\$ 405	\$ 369
\$ 225	\$ 90	Impact	\$ 210	\$ 282
\$ 100	\$ 74	Thematic	\$ 150	\$ 83
\$ 125	\$ 82	Performance	\$ 140	\$ 53
\$ 700	\$ 919	OPS4	-	-
\$ 1,375	\$ 1,365	Sub-total (C)	\$ 905	\$ 787
\$ 1,600	\$ 1,577	Total Variable Costs (B+C) = (D)	\$ 1,235	\$ 1,116
\$ 4,024	\$ 3,791	Total (A+D)	\$ 3,745	\$ 3,650
	\$ 233	Under-run	95	