

Annex 1

Executive Summary: Medium-Sized Projects Evaluation (2001)

EXECUTIVE SUMMARY

Background

The GEF Council approved a *Proposal for Medium-Sized Projects* (MSPs) in April 1996 to encourage the submission of proposals and execution of smaller projects by a broad range of groups and organizations. Originally, projects up to US\$750,000 could be approved by the CEO and sent to the GEF Council on a no-objection basis, although this limit was later increased to US\$1 million. A principal objective of the MSPs has been to promote rapid and efficient project execution by simplifying preparation and approval procedures and by shortening the project cycle relative to GEF full-sized projects (FSPs). “Expedited procedures” for the MSPs were intended to simplify the steps required and to shorten the time needed to complete the GEF project cycle. The goal of “streamlining and simplifying all stages of the project preparation and implementation” was highlighted by the Council.

The GEF Implementing Agencies (IAs) for MSPs are UNDP, UNEP and World Bank. The GEF Secretariat (GEFSEC) and the IAs developed an MSP Information Kit to provide guidance on preparing and submitting MSP proposals. Governments, non-governmental organizations (NGOs), research institutions, international organizations and the private sector can all submit MSP proposals, which must be consistent with the eligibility criteria and incremental cost principles of the GEF. Endorsement by official government operational focal point (OFPs) is required for all MSPs. Project Preparation and Development Facility (PDF) funds can be approved by the IAs up to US\$25,000 to help finance preparation costs.

The GEF Monitoring and Evaluation Unit carried out a desk review of MSPs in mid-1998. There has been no further review of MSPs until the present evaluation.

This Evaluation

By June 2001 the GEF had approved 121 MSPs, committing US\$90 million of GEF resources. The overall objective of the current evaluation was to undertake a comprehensive evaluation of these MSPs. The specific objectives were to:

- Assess whether MSPs are responsive to GEF objectives and policies as laid down in the GEF Operational Strategy, Operational Programs, the original Council paper (GEF/C.8/5) and other relevant documents.
- Assess whether MSPs are filling a specific niche in the GEF that cannot be met by regular projects, small grants or enabling activities.
- Analyze whether the MSP project cycle procedures are effective and to make recommendations for improving the medium-sized project processing and effectiveness.

- Identify the impacts and the likely impacts of MSPs.
- Make recommendations towards improving the MSPs.

The evaluation could not be comprehensive as only six of the 121 approved MSPs had been completed as the evaluation began, while comparable and reliable performance indicators have yet to be developed for biodiversity, climate change or international waters projects. The evaluation was planned and implemented on an accelerated schedule in order to provide timely inputs to the separate team carrying out the Second Study of GEF's Overall Performance (OPS2).

Country Visits and Project Case Studies

Ten countries were selected for country visits: Cambodia, Ecuador, Guatemala, Pakistan, Peru, Philippines, Poland, South Africa, Tanzania and Vietnam. These countries were visited during May-July 2001, each for approximately one week. In addition, three MSPs case studies were conducted by consultants supervised by the evaluation core team.

Questionnaire Surveys

Questionnaires were developed to give a wide range of stakeholders an opportunity to provide structured written inputs to the evaluation process, including:

- International conservation NGOs
- Local NGOs in GEF member countries
- Countries with fewer than anticipated MSPs
- National Coordinators of the GEF Small Grants Program

The results of these questionnaires have been incorporated into this report.

Milestone Dates Analysis

It was clear in advance that the effectiveness of the expedited procedures for MSPs would be a critical issue, i.e., the time taken to prepare and approve MSPs and to disburse project funds. There was little reliable data on the time required to process MSPs as the evaluation began, however. The evaluation team therefore requested the IAs (i) to identify a series of 8-10 "milestone dates" in their MSP project cycles, from first identification of the project concept through preparation and approval to the date of the first disbursement, and (ii) to develop a database containing each of these milestone dates for all of their approved MSPs. The preliminary results of the milestone dates analysis are described in this report, although the data continue to be refined.

MSP Portfolio Overview

By June 2001 the GEF had approved 121 MSPs, committing US\$90 million of GEF resources with US\$125 million cofinancing. Two of these MSPs were approved during 1997, 21 in 1998, 40 in 1999, 44 in 2000 and 14 during the first half of 2001. The relatively small number of projects approved during early 2001 is mainly due to the GEF

funding constraint that emerged in late 2000. At June 30, 2001, a further 43 MSPs were in the GEFSEC pipeline awaiting approval and 93 projects were under preparation using PDF-A funds.

Geographically, 29% of the MSPs are in LAC, 21% in AFR, 16% in EAP, 15% in ECA, 9% in MNA, 4% in SAS and 7% were global or regional. About 60% of the approved MSPs addressed biodiversity, 24% climate change, 6% international waters and 4% ozone, with 6% covering multiple focal areas. World Bank is implementing 42% of the MSPs, UNDP 39% and UNEP 17%, while 2% had more than one IA.

NGOs as a whole account for the largest share of executing agencies with 41% of the total, followed by Governments (34%), intergovernmental organizations (IGOs - 21%), research organizations (11%), and the private sector (2%). Of the 54 NGO executing agencies, 28 are international NGOs (INGOs) and 26 local NGOs (LNGOs).

Three countries had more than three approved MSPs by June 2001, Ecuador (5), Philippines (4) and South Africa (5), while six countries had three approved MSPs (see Chapter 1 Data Annex). If the GEFSEC pipeline and PDF-As under implementation are also included, then seven countries had six or more MSPs by June 2001, China (6), Ecuador (6), Mongolia (6), Peru (11), Philippines (9), Russia (7) and South Africa (7).

Main Findings

Benefits and Impacts

It is too early in the implementation of most MSPs to determine their specific impacts on biodiversity conservation, climate change and international waters. Interim or indirect indicators of progress were assessed in capacity development, innovation, awareness raising, prospects for sustainability and leverage. The most important types of MSP leveraging have been cofinancing, scaling up and replication, in addition to positive impacts on government policies with implications for global environmental issues.

An encouragingly high proportion of the MSPs that have reached advanced stages of implementation have made substantial progress in these areas. MSPs are generally positively regarded by diverse stakeholders, and the local and participatory emphasis of most MSPs has helped create more favorable conditions for the achievement of long-term environmental goals. MSPs have notably generated the following benefits:

- Broadened and legitimized partnerships and multisectoral relationships that have improved collaboration between NGOs, government, research institutions, the private sector and the IAs.
- Improved local awareness of global environmental concerns, increased local ownership of environmental interventions and strengthened local governance.

- Increased capacity at local and national levels, including the capacity to access and participate in larger initiatives.
- Demonstrated innovations that are providing more appropriate and effective approaches to environmental management.
- Strengthened international networking with respect to complex technical issues, especially through the global and regional MSPs implemented by UNEP.
- Achieved positive policy impacts by facilitating policy dialogues, applying research results or piloting new policy concepts and relating these to research priorities.
- Provided what in some countries is the only support for implementing environmental strategies and action plans, including those for biodiversity conservation and climate change.
- Leveraged substantial cofinancing from a variety of sources.
- Improved livelihood and income opportunities for key stakeholders.
- Increased the profile of global environmental priorities and obligations within national government policy and planning processes in at least some countries.

MSPs have also contributed to keeping the global issues of biodiversity, climate change, international waters and ozone on national political agendas *as global issues*. There is often a tendency to emphasize the local or national aspects of the environmental issues and then to view the GEF as one of many external funding options. By promoting a global-level focus, GEF has been virtually the only institution that has consistently drawn attention to global obligations and responsibilities. MSPs have played a full role in this process and thereby played an important role in building GEF's brand name recognition.

From a technical perspective, the planning of some MSPs could have benefited from more focus on the specifics of project sustainability and replication, although the relatively short, 2-3 year duration of most MSPs does make these aspects very challenging. Some MSPs do appear too ambitious and a few projects have specific design or implementation problems.

Although measurement and comparisons are difficult, the evaluation team members (including the local consultants) consider it very likely that the overall value/impact of GEF dollars invested in MSPs compares favorably with investments in many larger projects of either GEF or other donors, especially in the biodiversity focal area that dominates the MSP portfolio. The most important comparative advantages of MSPs appear to lie in partnership building, awareness raising, public participation, capacity building and innovation, as well as the opportunity to engage a diverse range of highly-motivated executing agencies. Further work is clearly needed to systematically assess the

relative strengths, weaknesses and cost-effectiveness of GEF and other projects being implemented on different scales.

MSP Processing

While there have been improvements in processing over time, MSPs have clearly not been *expedited*. Reality has fallen far short of the expectations that MSPs would be a relatively fast-moving and flexible funding opportunity. GEFSEC expected that it would take about six months between the time a project concept was approved and project implementation could begin. In practice, the average has been over two years, with several projects taking three or four years. Even this figure does not include the substantial time often required to prepare a project concept to the satisfaction of both GEFSEC and the IAs, which has varied from a few months to over two years.

Many dedicated and determined stakeholders as well as IA staff have become frustrated and discouraged by what to them seem interminable and inexplicable delays within the GEF bureaucracy, compounded sometimes by waves of review comments that are not always consistent. Even after their projects have finally been approved by the GEF, many exhausted proponents are then surprised to find that agreeing on contracts and procurement procedures with the IAs can also be a lengthy and difficult process.

Our analysis has highlighted a variety of factors responsible for the lengthy MSP project cycles:

- Obtaining MSP endorsements from national OFPs for NGO executed projects has frequently been difficult and very time consuming.
- The extent to which new and inexperienced partners brought in by the MSP opportunity would require additional IA support to navigate through the GEF's language, procedures (including the incremental cost calculation) and priorities to prepare acceptable proposals was underestimated.
- Unclear and sometimes conflicting technical reviews from different sources in the IAs and GEFSEC have added considerable time to processing.
- There are variations in the capacities of the UNDP and World Bank country offices to initiate, facilitate and supervise MSPs.
- Adjusting legal, procurement and disbursement procedures to fit smaller projects continues to challenge World Bank in particular.
- The GEFSEC review of an MSP proposal (project brief) can take up to three months
- Some MSPs are perceived as having been delayed more because their country, focal area or general approach has become less popular with the GEF than because of any technical or eligibility issue.

While these sources of delay can and should be addressed as a matter of priority, it is now clear that some of the early expectations for rapid MSP processing were misplaced. Some procedures for MSPs have been simplified and others shortened relative to full-size projects. But the MSP portfolio still contains many complex projects that are a considerable challenge for their proponents and require a level of IA management effort that is comparable to many larger projects. Thorough and detailed planning and preparation over at least 12 to 18 months for such projects does not seem unreasonable, particularly in the frequent cases where MSPs have relatively inexperienced executing agencies.

Some MSP proponents expected funding in the form of a *grant*, such as they might receive from a foundation, while the GEFSEC and IA view is that MSPs must be managed to the same technical standards as any of their other *projects*. This means significant IA input during preparation and design prior to GEF funding approval, then detailed supervision and management during implementation. While IA and GEFSEC staff are endeavoring – with mixed success – to speed up MSP preparation and approval and to ease project disbursements, they have deliberately not eased entry or “lowered the bar” for MSPs from a technical perspective and have received no guidance from the GEF Council or GEFSEC suggesting they should do so. As a result, it has not proven cost-effective to manage MSPs as scaled-down version of FSPs.

MSP Strategic Issues

The MSPs have clearly achieved the stated GEF Council objective of broadening the range of partners able to access GEF resources. The wide variety of MSP executing agencies includes a diverse range of government agencies, NGOs, research institutions, international and inter-governmental organizations, as well as the private sector. Private sector participation has been limited to very few projects, although it was significant in these projects. Engaging this broadened range of partners has generated clear, positive benefits for the GEF agenda.

The MSP niche is clearly an important one in the GEF family. The GEF Small Grants Programme is able to support initiatives at the grassroots or community level, while full-sized GEF projects can support more visible national-level actions. MSPs are often able to bridge the gap, by addressing local concerns while at the same time supporting the implementation of the national development agenda. MSPs may not support actions across several provinces or regions within a country, but their activities are usually on a large enough scale for their successes to generate interest and attention at the provincial or national level. The size of the funding also allows some activities going beyond local community levels to include some capacity building and policy development for local and national government agency partners.

Complementing the national MSPs, UNEP in particular has developed a strong portfolio of multi-country global and regional MSPs that appear to be successfully addressing a range of issues that are less suited to individual country projects. While it is not always

easy to demonstrate country ownership of these global and regional MSPs and the national activities are sometimes not widely known within the countries, this is a worthwhile set of projects that clearly adds value to the GEF portfolio. The case for UNEP to implement single country projects is less clear, except perhaps in the specialized technical areas where the agency has a clear comparative advantage.

The evaluation team is particularly concerned that there is now considerable uncertainty over future GEF funding for MSPs. When the MSPs began in 1996, the GEFSEC indicated that financial resources would be available to support all proposals that satisfied the GEF's eligibility requirements and were technically satisfactory. This is far from current reality. Funding limitations have now become an important constraint, although the absolute limitation of funding seems to be less of a constraint than the uncertainty over the amount of funding and how this is likely to be split between regions, countries, focal areas and types of projects. The lack of clear information on resource allocations is causing considerable operational upheaval and inefficiencies while contributing to a loss of confidence in the GEF and undermining the institution's credibility and commitment to transparency.

Given the widespread dissatisfaction with the processing of MSPs it is perhaps remarkable that so many high-quality projects have started to emerge. This is at least partly due to the persistence and enthusiasm of the responsible IA staff. For IA task managers it is apparent that an MSP can be almost as much work as a FSP, although attracting a much smaller supervision budget. Unfortunately, the IAs are in some cases now discouraging potential MSP proponents. This is due to the uncertainty surrounding future GEF funding combined with incentives within their own institutions that favor full-sized projects, both compounded by unclear informal messages from GEFSEC on future program preferences. This is particularly unfortunate at a time when substantive positive impacts are emerging from the MSP portfolio and when there is a dramatically increasing demand for this level and type of funding from an increasing number of diverse executing agencies that are becoming committed to a common agenda with the GEF.

Expectations for MSPs to be expedited have proven unrealistic. There is an urgent need to revise the processing rules and targets for MSPs, and to address the contradictory expectation that reasonably-complex and technically high quality projects with less-experienced executing agencies are being expected to move quickly through the GEF project cycle.

Recommendations

Overall

Options for expediting processing by reducing the level of IA and GEFSEC supervision and technical responsibility, at least for smaller MSPs, should be explored jointly by GEFSEC, the IAs and some of the organizations with experience as MSP executing agencies. The options considered should include the disbursement of some MSPs as

grants rather than projects, possibly on the basis of an annual competition, and local approval of smaller MSPs by competent national intermediaries in certain countries.

It has become clear that allowing the IAs to determine how GEF funds will be allocated between FSPs and MSPs is unlikely to generate an optimal outcome for the GEF agenda, especially in a period of resource limitations. The GEF should allocate specific funding resources for MSPs to help ensure that these valuable projects are not subsumed by IA management preferences for FSPs driven by these agencies internal incentive structures.

The prevailing 2-3 year timeframe for MSPs is often too short and few of the projects can be expected to achieve sustainability in this time. Projects should be encouraged to plan implementation over longer time frames if this suits local absorptive capacities and is likely to enhance sustainability. While MSPs should not be utilized for project development, a second phase for promising MSPs should be permitted if the original MSP has been successful in reaching its objectives, as is the case with FSPs.

As the size and complexity of the GEF project portfolios in individual countries increase, it becomes more important to explore options for country programming as a means of achieving synergies from the various GEF activities, including MSPs. While GEFSEC has already started exploring these options, such country programming does have costs as well as benefits, and needs to be approached cautiously. In particular, there is a risk that the broad range of partners and stakeholder input that has become such a positive feature of the MSP portfolio could be compromised.

Most MSPs are being funded close to the maximum level, now US\$1 million. This means there is a significant gap between the MSPs and the successful SGP. There is a good case for increasing SGP individual grant limits from US\$50,000 to as much as US\$150,000 and for allocating correspondingly more funding to this program. This would also respond to the needs of local NGOs and CBOs which are ready to build on their SGP-supported efforts but which do not yet have the capacity needed access MSPs. While the evaluation team does *not* recommend changing the \$1 million MSP limit, there is a good case for increasing the PDF A support for multi-country projects (as is already the case for PDF B support to multi-country FSPs).

The MSP Milestone Dates Analysis launched during this evaluation has highlighted some significant bottlenecks in MSP processing. But this useful analysis is still incomplete. GEFSEC and the IAs should complete this analysis as soon as possible and, on the basis of the results obtained, document (1) how they plan to achieve further savings in time and effort, (2) how they will track future MSP processing to ensure that any avoidable delays can be rapidly identified and targeted by management for remedial action.

Preparation and Approval

The responsibilities and obligations of MSP proponents, the IAs and GEFSEC should be identified much more clearly before beginning the preparation of each MSP, to make sure these are well understood and that mutual expectations are based on reasonable

assumptions. Responsibilities for preparing, reviewing and revising proposals and other key project documents should be documented, together with a detailed timetable which all parties should be held accountable to.

Major bottlenecks and delays in MSP processing need to be tracked more closely so that GEFSEC and/or IA management can intervene and address problems as they arise. Neither the IAs nor GEFSEC monitor centrally the status of individual MSPs as they progress through the project preparation and approval cycle. A transparent tracking system should be established to enable project proponents and other interested parties to easily follow the status and progress of MSPs under preparation through the various stages of GEF review and approval, for example through a web page showing the status of each project at any given time. This could perhaps be addressed through the GEFSEC Project Management Information Database currently under development.

The MSP document review process needs to be completely overhauled. The type and number of project reviews as well as the time allocated needs to be rationalized and made more transparent. For example, technical reviews of single country MSPs should primarily be the responsibility of the IA country offices (with allowances for MSPs managed centrally by World Bank). The IA headquarters' and GEFSEC should focus on eligibility, strategic fit, country portfolio-wide issues and coordination between the IAs. All comments from one source (e.g., an IA headquarters) should be consolidated and checked for consistency.

It often comes as a surprise to the proponent after approval of the MSP that they have to comply with the sometimes confusing and demanding IA requirements for project implementation, many of which were designed to fit the needs and requirements of much larger projects. All IAs should develop clear and easy-to-refer-to guidelines for MSP contracting, disbursement and reporting implementation, and share these guidelines with project proponents at an early stage.

Special priority in processing should be given to those proposed MSPs which have been successful in leveraging other funds and partners crucial to the success and impact of the project. In such cases, delays on the part of GEF can jeopardize the financial and institutional mechanisms for implementation put into place. Stringent cofinancing requirements for small NGO-led projects are often unrealistic and should either be relaxed or applied at an IA level. The incremental cost calculations for MSPs should be further simplified.

The IAs need to ensure more consistently that MSP proponents have sufficient capacity to execute MSPs. They should anticipate the need to provide systematic capacity building to some of the less-experienced proponents, either directly or through sub-contracts. The goal should be to broaden the base of local NGOs that can access GEF funds and participate effectively in MSP execution. One approach would be to encourage the submission of proposals by consortia consisting of a stronger lead executing agency such as an international NGO together with and a local NGO partner. This could assist in

capacity development with local NGOs that could later develop and manage MSPs by themselves.

Many MSPs were unclear on the integration of gender concerns, with the participation of women often considered to have been achieved when women were observed to be in attendance during consultations. Further guidance is needed on how MSPs should address gender issues.

Information and Knowledge Management

Stakeholders in many countries lack information about MSPs and do not understand them. In other words, the people with the desire and capacity to act effectively through MSPs are not getting the information they need in usable formats. There is a clear need to improve information dissemination related to MSPs, although this must be done in a way that does not raise unrealistic expectations when funds are limited. The objective should be to increase the quality rather than the number of proposals submitted.

The MSP Information Kit needs to be completely redone in a much more user-friendly way. The impenetrability of GEF language and jargon needs to be addressed. The Kit should be augmented with best practice examples from approved MSPs under different situations and include answers to frequently-asked questions. The kit should also be translated into local languages and placed into local contexts by IAs or through partner local NGOs with support from IAs.

Country Dialogue Workshops should be used for providing realistic information on MSPs, and followed up where appropriate, especially around specific OPs. The GEF NGO network should also be mobilized to promote MSPs. The web sites of both the GEFSEC and the IAs should be used more actively for MSP information dissemination, although it is important to bear in mind that internet access is still rare and expensive in many developing countries. Information dissemination should include the role that the private sector could play in MSPs.

GEFSEC, the IAs and other partners have an excellent opportunity to play much more of a strategic role in providing intellectual and practical leadership of learning processes for practitioners worldwide on technical themes within each of the GEF focal areas, drawing on the extraordinary wealth of GEF project experiences, including MSPs. This should include more active dissemination of best practices as well as cross-project, including cross-IA, learning, which is almost totally undeveloped at present.

A mechanism is needed for learning the lessons of implementation and progress towards global environmental objectives made within the context of individual MSPs. It is important also to learn how individual MSPs “add up” to make more strategic contributions to say ozone layer protection or biodiversity conservation. There is a need to engage project participants on an ongoing basis. These stakeholders best understand that barriers and opportunities for meeting global environmental objectives through the GEF but they seldom have a chance to see how their particular project contributes (or

not) to the bigger picture. There is clearly an opportunity for linking the global to the local more effectively, and GEF has both the portfolio and network to do so.

Country Ownership

The operational focal point endorsement system does not work effectively for MSPs in many countries, is of doubtful value as a demonstration of country ownership and is often particularly hard for NGOs. The lack of capacity in the focal points is a fact in several countries and should be addressed with GEF support. The already existing support to operational focal points should be made better known and better utilized in countries. Focal points consisting of broadly-representative and not-too-large committees have worked well in a few cases, particularly when these committees develop a GEF programmatic approach or country vision, although added bureaucracy and further delays could also result from such arrangements, and care would need to be taken to avoid further limiting NGO opportunities.

The ownership and strategic value of regional and global projects to the individual countries needs to be addressed more aggressively. National governments and local NGOs should be able to recognize their ownership of such projects. The requirement of OFP endorsement for each of the countries participating in global projects, however, has led to some very lengthy approval processes. One possibility is to consider a global project as properly endorsed if its objectives are clearly linked to the country's strategies and action plans for biodiversity conservation, reduction of greenhouse gases and/or protection of international waters, as appropriate. It should be noted, however, that in the case of truly global projects, for example projects that address an issue that is critical to GEF operations globally through the involvement of the scientific community in a number of recipient countries, the linkage to individual countries' strategies and action plans may be less direct. In such cases, country drivenness could be demonstrated more effectively through links to priorities identified by the national governments as a result of regional strategies, plans and recommendations adopted at regional intergovernmental meetings.