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Evaluation Office

Joint Evaluation of the GEF Activity Cycle and Modalities

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Abbreviations

ADB	Asian Development Bank
AfDB	African Development Bank
APR	annual performance report
CEO	Chief Executive Officer
COP	conference of the parties
DAC	Development Assistance Committee
EBRD	European Bank for Reconstruction and Development
EU	European Union
ExA	Executing Agency
FAO	Food and Agriculture Organization of the United Nations
FSP	full-size project
FY	fiscal year
GEF	Global Environment Facility
IA	Implementing Agency
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
LDC	least developed country
LDCF	Least Developed Countries Fund
M&E	monitoring and evaluation
MDB	multilateral development bank
MSP	medium-size project
NAPA	national adaptation program of action
NCSA	national capacity self-assessment
NGO	nongovernmental organization
OECD	Organisation for Economic Co-operation and Development
OP	operational program
OPS	overall performance study
PDF	project development facility
PIF	project identification form
PIR	project implementation review
PMIS	Project Management Information System
POP	persistent organic pollutant
PPR	project performance review
RAF	Resource Allocation Framework
RBM	results-based management
SCCF	Special Climate Change Fund
SGP	Small Grants Programme
SIDS	small island developing states
SPA	Strategic Pilot on Adaptation
STAP	Scientific and Technical Advisory Panel
STRM	short-term response measure
SWAp	sector-wide approach
SWOT	strengths, weaknesses, opportunities, and threats
TER	terminal evaluation review
TOR	terms of reference
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNIDO	United Nations Industrial Development Organization
UNAIDS	Joint United Nations Programme on HIV/AIDS

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Foreword

Since its inception, Global Environment Facility (GEF) support to the global environment has been predominantly project-based. As the GEF developed, the length and complexity of the Activity Cycle increased. Gradually, this has led to a rising tide of complaints, as has been noted in many evaluation reports, Council documents, and GEF Assembly and replenishment decisions. The need to address the Activity Cycle in an evaluation was identified by the GEF Implementing and Executing Agencies during consultations on monitoring and evaluation in the GEF in January 2005. The cycle was recognized as a common challenge in which all partners had a stake.

In June 2005, the GEF Council welcomed the proposed evaluation and underscored that efforts to improve the cycle had so far not succeeded: "the project cycle elapsed times are still too long." The evaluation was approved as a special initiative of the GEF Evaluation Office: to analyze the strengths and weaknesses in the GEF Activity Cycle and related delivery modalities, and uncover the underlying causes of inefficiencies. The Council was very appreciative of the fact that this evaluation would be a joint effort of all Agencies in the GEF.

In September 2005, the evaluation started with a workshop in Washington, D.C. For the first time in the GEF, an evaluation was undertaken jointly by 11 evaluation departments in the GEF partnership. Tasks were divided out, field work was shared, a core group emerged to take care of the management of the evaluation, and key points were identified at which further consultations would take place. The work progressed through a series of workshops and consultations on data, methodology, implementation, progress, and key findings. The evaluation partners contributed both financial and substantive resources. The analysis covered close to 2,000 project proposals and 869 enabling activities proposed to the GEF since 1992. The eight components included two exploratory studies, an electronic survey, field visits to 18 countries, extensive desk reviews, and statistical analysis.

The final report was presented to the GEF Council at its December 2006 meeting by the GEF Evaluation Office on behalf of all the participating evaluation departments. The Council agreed that no gains would be achieved by streamlining the current Activity Cycle at the margins. It decided that the GEF Activity Cycle should be fully revised, while maintaining the quality and attributes for GEF funding. The Council requested the GEF Secretariat to develop options for a revised cycle for June 2007, in collaboration with the Implementing and Executing Agencies and the GEF Scientific and Technical Advisory Panel, and in line with the recommendations of the evaluation report. Furthermore, the proposals

to expedite the cycle should ensure that the identification phase would focus on establishing project eligibility, that the work program would move from being project-based to program-based, and would ensure rolling project endorsement by the GEF Chief Executive Officer.

The coordination of the wide range of activities in the joint evaluation was ensured by the evaluation task manager, Siv Tokle, Senior Evaluation Officer, who led the evaluation team and the development of the evaluation methodology, and drafted the report based on contributions from the core team. The statistical analysis on the GEF portfolio and elapsed time that underpins the findings was undertaken by Divya Nair. André Aquino and Josh Brann provided analysis and methodological support to field visits, the survey, and documentation reviews. As an independent management consultant, Michael Wells brought considerable experience with the GEF and its modalities to advise on the conclusions. The core evaluation group conducted considerable portions of the work, and included evaluators Johannes Dobinger (United Nations Industrial Development Organization), Hemamala Hettige (Asian Development Bank), Keith Pitman (World Bank), Michael Spilsbury (United Nations Environment Programme), and Juha Uitto and Jyotsna Puri (United Nations Development Programme). They were supported by colleagues in their offices. We would also like to acknowledge the contributions of the larger consultative group of partners, including the Agency GEF coordination units and the GEF Secretariat; these partners provided necessary data and documentation of their project cycles. The report and supporting technical papers with detailed findings are available on the GEF Evaluation Office Web site and on CD-ROM. A special thanks goes to the country representatives and stakeholders who were interviewed in the many country visits. They are often at the receiving end of the uncertainties and delays in the Activity Cycle, and I hope that this evaluation and the resulting decisions of the Council will lead to a more responsive and transparent face for the GEF in recipient countries.

Rob D. van den Berg
Director, Evaluation Office

1. Main Findings, Conclusions, and Recommendations

In support of its mission to achieve global environmental benefits, the Global Environment Facility (GEF) has committed over $6 billion in grants to more than 1,800 approved projects in 140 countries since 1992.[1] This includes $5,537 million for 716 full-size projects (FSPs), $267 million for 326 medium-size projects (MSPs), and $330 million for 821 approved enabling activities. Additionally, preparatory resources worth almost $90 million have been allocated to develop proposals for FSPs and MSPs that have not yet received approval.

From the outset, the GEF has operated with three Implementing Agencies (IAs): the World Bank, the United Nations Development Programme (UNDP), and the United Nations Environment Programme (UNEP). In 1999, the GEF Council designated seven other agencies—the Asian Development Bank (ADB), the African Development Bank (AfDB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IDB), the Food and Agriculture Organization of the United Nations (FAO), the International Fund for Agricultural Development (IFAD), and the United Nations Industrial Development Organization (UNIDO)—as Executing Agencies (ExAs) with access to GEF resources. In 2003, the GEF Council approved the current ExA arrangement whereby the four regional development banks (ADB, AfDB, EBRD, and IDB) can submit proposals directly to the GEF Secretariat; the United Nations (UN) agencies (FAO, IFAD, and UNIDO), which have indirect access to GEF resources, can submit proposals in some focal areas through one of the three IAs.

1.1 The GEF Activity Cycle and Modalities

The bulk of GEF support has so far been provided through projects, based on submissions of proposals from countries through the IAs and ExAs (collectively referred to here as *Agencies*). The identification, preparation, and implementation of GEF projects take into account GEF criteria and policies, GEF and Agency policies and procedures, advice from the GEF Scientific and Technical Advisory Panel (STAP), global environmental conventions, and national needs and priorities.

In practice, GEF requirements are superimposed on the standard project cycles of each of the Agencies. (Projects also go through an approval process in the recipient country.) Agency cycles have five common phases: concept development, preparation, appraisal, approval and supervision, and completion and evaluation. What is referred to here as the *GEF Activity Cycle* is essentially these five phases along with the various GEF decision points.

The most significant GEF *modalities*—vehicles for disbursing funds—are full-size and medium-size projects, with their associated project development facilities (PDFs). Other GEF modalities include enabling activities and such variations as national capacity self-assessments, programmatic approaches, targeted research, umbrella projects, and phased and tranched projects, as well as project variations supported by special funds.

The GEF Activity Cycle is widely regarded as complex, long, and costly. Almost since the GEF began, the need to streamline and simplify the cycle has been highlighted by numerous evaluations, the overall performance studies, the GEF Council, and many of the GEF's partners and stakeholders. Recent GEF replenishment negotiations emphasized that the GEF should be "making its processes more expeditious, streamlined and efficient" (GEF 2002k, paragraph 19). Until now, however, the proofs of underperformance presented to the Council in various evaluations and other documents have been only partial, and stakeholders have therefore expressed a need to better understand the underlying causes. This evaluation was thus welcomed by all partners in the GEF as a means of presenting a full overview. An Executing Agency proposed the idea for the evaluation, which was subsequently funded as a special initiative by the GEF Council and supported by the GEF partner Agencies as a joint effort. The evaluation was broadened to include modalities, since the cycle differs depending on the GEF modality used and because of the perceived complexity in the range of GEF programming modalities.

1.2 Scope and Methodology

The objective of this evaluation is to help improve the effectiveness, efficiency, and cost effectiveness of GEF operations. The evaluation aimed to

- demonstrate the strengths and weaknesses in the GEF Activity Cycle and modalities and identify the contributing factors;
- identify and analyze the constraints that need to be addressed to improve efficiency in GEF operations, including possible changes in procedures and systems;
- provide recommendations to increase the efficiency and effectiveness of GEF operations and modalities.

The evaluation has given particular attention to two areas of concern: (1) the early phases of the Activity Cycle, from concept identification through preparation, appraisal, and approval to project start (this last is also called *project effectiveness*); and (2) the FSPs and MSPs, which absorb most of the financial resources. The parties also agreed to focus in-depth analysis on projects approved in the GEF-3 replenishment period, closed projects from GEF-2, and all jointly implemented projects, as these are the most recent and relevant projects and have reliable data. The evaluation also analyzed the impact on the cycle of the GEF's increase in scope and complexity over time, which generally corresponds to the GEF replenishment periods.

The evaluation methodology included reviews of key documents (including the policies and regulations of the GEF and the Agencies, as well as previous evaluations), partner and stakeholder interviews, a stakeholder survey, and exploratory studies within selected partner Agencies of harmonization and simplification opportunities and alternative aid delivery modalities. Field work was undertaken in 18 countries.

Existing GEF and Agency information systems were unable to provide reliable data on the time projects spent moving through different phases

of the Activity Cycle, a basic information requirement for this evaluation. To develop usable data as a basis for analysis, the evaluation therefore designed and assembled a database reflecting the situation in the GEF as of January 1, 2006, for the full universe of GEF projects and proposals (1,926) with basic project parameters. GEF projects do not all follow the same trajectory in the cycle. While all projects are approved at work program entry, the point of origin of project ideas is not available. The database therefore captures the milestone dates of GEF decision points as projects progress from, where applicable, pre-pipeline identification, PDF-A approval, pipeline entry, or PDF-B approval to project start.

The data concerning elapsed times, effectiveness of projects moving through the cycle, and value added at the various stages have been grouped according to the replenishment period in which projects were approved. This perspective is justified on two grounds: first, the cycle differs by replenishment period in terms of steps, requirements, and criteria. Second, each replenishment period has its own specific policy goals within the framework of the GEF's overarching goals, as established by the GEF's *Instrument for the Establishment of the Restructured Global Environment Facility*. In other words, the Council and the GEF Chief Executive Officer (CEO) need to be able to see how old the project proposals are that they are asked to approve, how these proposals went through their respective formulation phases, how they added value on the way, and how they fit into the goals of the current cycle. This perspective is more relevant to the GEF Council and CEO than starting from the actual origination of project ideas.

The evaluation considered the possibility that longer preparation times may result in higher quality projects. Quality is difficult to measure as GEF proposals are being developed, however, especially as there are no systematic or quantitative mechanisms for quality assurance during the project development process. The evaluation therefore used the application of the GEF operational principles—which cover incremental costs for global environmental benefits, country ownership, cost effectiveness, flexibility, full disclosure, public participation, catalytic role, and monitoring and evaluation (M&E)—as a proxy for project quality.

Led by the GEF Evaluation Office, this evaluation was conducted jointly by the Agencies' evaluation offices, supported by the GEF coordinating units of these Agencies as well as the GEF Secretariat. The GEF Evaluation Office has also conducted a parallel evaluation to assess the experience of the seven ExAs with regard to GEF cooperation and project development and implementation (see GEF EO 2007a).

1.3 Main Findings and Conclusions

Before presenting the substance of the findings, it should be noted that this evaluation does not identify one primary cause or party responsible for the underperformance of the Activity Cycle. This underperformance is caused by a multifaceted set of issues, linked to a complex series of events and involving many, if not all, actors in the GEF. There is no scapegoat and no quick fix.

The evaluation found that disclosure of information and transparency in the GEF has been uneven both to management and to stakeholders. The GEF information management systems have not been reliable in generating information on project status and elapsed time, and reporting on this subject has not been systematic or fully transparent. Hence, it has been difficult for stakeholders to do anything but complain about the complexity in an uninformed way, and impossible

to ascertain accountability for delays and negative effects. There are clearly significant opportunities to expedite the Activity Cycle by sharing information on projects under preparation in a more consistent and timely way, yet there is no certainty that this is being adequately addressed.

Based on the GEF Evaluation Office's 2004 *Annual Performance Report* (APR) and its Costa Rica Country Portfolio Evaluation (GEF EO 2006a and 2007c), the Council reiterated in June 2006 its decision of the previous year that "the transparency of the GEF project approval process should be increased" (GEF Council 2006a, paragraph 11) and asked the GEF Secretariat to reinforce its efforts to improve this transparency. The Secretariat was also asked to take steps to improve the information mechanisms in the GEF to make essential operational information available at the national level. These recommendations remain urgent. The main areas where transparency is lacking regard key GEF policies, strategies, and programming criteria; and management tracking of project progress and status. Also, transparency on operational policies is lacking, especially regarding GEF eligibility and procedures. For example, access to the GEF "Operations Manual" remains limited to the GEF Secretariat.

The findings of this evaluation are strongly interlinked. If the GEF Activity Cycle is not effective in producing new projects, it is by definition inefficient for the projects that were dropped or canceled along the route to approval or project completion. However, cause and effect are by no means certain: Is the cycle ineffective because it is inefficient? Or is it inefficient because it is ineffective? Is there a lack of value added because of the inefficiencies in the cycle, or is the lack of value added a root cause for the inefficiencies? Is the GEF out of date because the cycle is ineffective and inefficient, or is the cycle ineffective and inefficient because the GEF is out of date?

It is important to state that the evaluation did not find any significant causal relationships among the four areas of cycle effectiveness, efficiency, cost effectiveness, and modalities. No single key reason emerges for the ineffectiveness and inefficiency of the cycle, or for why projects are not in line with the modern modalities that the GEF Agencies employ. Rather, there are many mutually reinforcing factors that together produce the cycle as it currently exists. It is the sum of the parts that leads to serious concerns. Moreover, despite the seriousness of the findings on elapsed time and its negative effects, no action has yet been taken to remedy the situation.

Findings

Finding 1: The GEF Activity Cycle is not effective and the situation has grown worse.

For the purposes of this evaluation, the objective of the Activity Cycle is to produce projects, preferably good projects, in a timely manner. A cycle can be considered effective if it achieves this objective and its various phases produce their respective outputs such as concepts for the identification phase and project documents by the development phase.

The GEF cycle is not effective in producing projects in a timely manner. At each cycle phase, outputs are either not produced, or the GEF takes a long time in reaching a decision to clear the project to move to the next phase. This practice has implications for the age of the GEF portfolio. For example, 46 percent of the FSP proposals that have entered the pipeline since 1992 have yet to begin, meaning that projects can take up to three years from concept to project start. Twenty-five percent of the projects that have recorded pipeline

Table 1.1

Cumulative proposals and approvals by GEF replenishment period

Replenishment period	Proposal status	GEF pipeline			Total	
		GEF-1	GEF-2	GEF-3	Number	Percent
GEF-1 (1995–98)	Proposals	62			62	100
	Approvals	35			35	56
GEF-2 (1999–2002)	Proposals	27	271		298	100
	Approvals	16	105		121	41
GEF-3 (2003–06)	Proposals	11	166	320	497	100
	Approvals	9	132	97	238	48

Note: Only concepts with recorded pipeline dates are included. Table includes concepts that are currently PDF-B (175), pipeline (82), and pending (2). Pilot concepts (17) and concepts that are pre-pipeline or were dropped before work program entry or rejected before pipeline entry are not included; 325 post-pipeline concepts without dates are also excluded.

entry dates in GEF-1 (that is, before 1999) are still active.

The proposals that are presented for approval during a given replenishment period are ever more frequently from an earlier period. Table 1.1 shows that 27 project proposals dating from GEF-1 came up for approval in GEF-2. Sixteen of them were approved in that period, and 11 were carried over into GEF-3; during that period, 166 projects dating from GEF-2 were still under consideration. Although a large number of new ideas were entered into the pipeline during GEF-3 (320 project proposals), the majority of approvals in this period (132) dated from GEF-2. The approval rate of GEF-3 shows an improvement compared to GEF-2—48 percent compared to 41 percent—but this is because of the high level of approvals in GEF-3 for GEF-2 proposals. A large number of projects (259) still await approval and could predetermine the early approvals in GEF-4, which would contain 2 leftover ideas from GEF-1, 34 from GEF-2, and no less than 223 from GEF-3. This backlog must have an effect on the innovative and catalytic nature of the GEF.

The Activity Cycle is becoming less and less effective in the timely production of new ideas for implementation. Table 1.2 shows that the proportion of new ideas in each replenishment period has decreased. Whereas in the GEF-1 period, 56 percent of approvals concerned new ideas (35 out of a total of 62 proposals); in GEF-2, 35 percent concerned new ideas (105 of 298 proposals); in GEF-3, the ratio of new to total proposals had gone down to 19 percent (97 out of 497). The proportion of new ideas approved versus new ideas proposed has also decreased over time (see table 1.1), from 56 percent in GEF-1 (35 of 62) to 39 percent in GEF-2 (105 of 271) and 30 percent in GEF-3 (97 of 320). The GEF-3 percentages will improve slightly over time, but will not reach the GEF-2 level.

Table 1.2

Proposals approved within a given replenishment period

Replenishment period	Proposals submitted	Proposals approved	Percent approved
GEF-1	62	35	56
GEF-2	298	105	35
GEF-3	497	97	19

The low cycle efficiency implies that the GEF is not effective in leading projects through the full Activity Cycle. After 16 years of the GEF, 210 FSPs

are recorded as complete—that is, the ratio of completed projects is 16 percent of all 1,292 FSP proposals. The completion rate for earlier GEF replenishment periods is, of course, higher (for example, 46 percent for GEF-1 FSPs). While there are no established standards for completion rates of a portfolio, this low completion rate suggests a relatively limited pool of completed projects from which lessons learned can be generated and impact can be expected.

The evaluation found that the average elapsed time during implementation is not a major cause of concern. For 191 closed FSPs, the expected duration for implementation was 47 months (4 years), with an average overrun of 9.2 months. However, the implementation periods are not commensurate with the preparatory phases. When considering the entire life-span of the closed projects from pipeline entry to actual closing, 43 percent of the projects' life-span was spent in pre-implementation (that is, being prepared).

Not all projects in the cycle will finish. A total of 238 projects and proposals have been dropped, aborted, or canceled, for a ratio of rejected to total FSP proposals of 18 percent. Fifty FSPs have been canceled during implementation (3 percent of all proposals) for various project-specific and justifiable reasons. On the one hand, a certain proportion of dropped and canceled projects is to be expected if the project is a risky undertaking, and could be a sign of cycle effectiveness in weeding out undesirable projects. On the other hand, the evaluation found that the length of the cycle stages until project start leaves GEF proposals more vulnerable to changing circumstances and priorities. For example, 109 of the project rejections (46 percent) occurred before pipeline entry, which seems higher than common practice. PDF resources worth almost $16 million were allocated to proposals that were subsequently dropped or aborted before approval.

The effectiveness of the cycle must also be considered in light of its underlying objective—that is, that it should be producing good projects. The GEF invests considerable effort and funds into the development of proposals, through PDF-A, -B, and -C funding and numerous checkpoints for appraisal and approval, with the expectation that projects entering the pipeline should have a reasonable chance of approval. It does not operate under a foundation model with open and transparent competition for funding proposals, and a consequently low rate of approval.

What would a reasonable chance of implementation be? The GEF-4 replenishment policy recommendations accepted the possibility that 25 percent of projects would not perform satisfactorily. However, it would seem reasonable that the norm for satisfactory outcomes could be translated into a similar norm for the Activity Cycle: 75 percent of project proposals should lead to implementation. Less than 40 percent of proposed projects had started implementation by January 2006. Future changes are uncertain given the new pipeline management mechanisms under GEF-4.

Finding 2: The GEF Activity Cycle is not efficient and the situation has grown worse.

The evaluation found that the average length of the Activity Cycle—the time needed for a project to be identified, prepared, approved, and launched—increased for projects approved during each of the last three GEF replenishment periods.

Given the long queue of projects being processed at every stage of the cycle, a significant number of GEF projects are moving slowly through the cycle. This trend becomes more pronounced

when projects use GEF preparatory resources. FSPs approved during GEF-1 took an average of 36 months to move through the full cycle from approval for PDF-A funding for concept development until project start. This already lengthy preparation time increased to 50 months for GEF-2 projects and to 66 months for GEF-3 projects (see table 1.3).

Table 1.3

Average elapsed time from PDF-A approval to project start (as of January 2006)

Replenishment period	Number of months	Number of FSPs approved
GEF-1	36	17
GEF-2	50	15
GEF-3	66	12

This trend is well known, although not in quantified form: According to the survey conducted for this evaluation, 74 percent of 289 stakeholders felt that the GEF cycle duration compares unfavorably with that of other donors. Agencies try to reduce elapsed time by skipping the PDF-A phase and entering proposals directly into the pipeline. The relevant period is then pipeline entry to project start, which increased from 37 months for GEF-1 to 42 months (3.5 years) for GEF-3 (see table 1.4).

Table 1.4

Average elapsed time from pipeline entry to project start (as of January 2006)

Replenishment period	Number of months	Number of FSPs approved
GEF-1	37	36
GEF-2	39	90
GEF-3	42	110

The main growth in elapsed time is found before project approval, for concept review, formulation, and appraisal. The overall elapsed time for GEF-3 is deflated, because Agencies use, of course, other sources or their own time and energy to substitute for the PDF-A phase. The GEF does not record the dates for concept development by the Agencies or project proponents without PDF funding. But if an optimistic figure of no more than 5 months for concept development without PDF-A is assumed (that is, less than PDF-A time in GEF-1), the average time to project start in GEF-3 would increase from 42 to 47 months.

Many projects approved in GEF-3 have not yet completed the cycle to project start. The figures in tables 1.3 and 1.4 present the elapsed time situation as of January 2006. When taking account of elapsed time until October 1, 2006, for 90 projects that are still awaiting final approval for project start, the updated estimate of average time from pipeline entry to project start increases to 44 months for projects approved during GEF-3 (see table 1.5). This is a *low* estimate; many approved GEF-3 projects have not yet started, which means that time for them continues to pass. (The times for GEF-1 and GEF-2 remain constant.) Again, including a concept development phase without PDF-A would bring the average time for project start in GEF-3 from 44 months to 49.

Table 1.5

Average elapsed time from pipeline entry to project start (estimated to October 2006)

Replenishment period	Number of months	Number of projects
GEF-1	37	36
GEF-2	39	95
GEF-3	44	200

For MSPs (projects up to $1 million), the total cost of approved projects is roughly 8 percent of that for FSPs, but the preparation time averages 60 percent of that for FSPs. This implies that each

dollar committed to an MSP takes four times the preparation effort of an FSP. Not surprisingly, this has discouraged Agency staff as well as many country stakeholders from pursuing this type of project, despite indications by the 2001 MSP evaluation (GEF EO 2001) that they generate positive impacts.

The elapsed time for approved projects is path dependent, which means that it depends on the process by which each project arrives at various decision points. This evaluation notes that elapsed time is exacerbated due to the shifting, and often increased, GEF requirements over successive periods: already delayed proposals are subjected to further reprocessing so that they meet new requirements. Delays in processing GEF projects are primarily due to the following structural and institutional constraints.

- **Increasing GEF complexity.** The progress of projects through the GEF Activity Cycle has been impeded in a variety of ways as the GEF has become more complex. Contributing to this complexity has been a broadening of the GEF network of diverse stakeholders; an increase in cycle phases, steps, and requirements for projects; growth in the number of modalities used from 1 primary modality to more than 14; the introduction of new substantive dimensions such as focal areas and strategic priorities; and constant evolution of interpretations of definitions and key concepts.

- **Duplication and lack of synchronization in the cycle.** This factor stands out as the most important with regard to elapsed time. Poor connections between the time-bound GEF decision points and the Agency cycles are a major cause of delays and inefficiencies. The GEF steps of concept phase, PDF formulation and approval, and Council and CEO approval are *additional* and disruptive to the flow of the Agencies' regular cycles. The front-loading of GEF design requirements in the cycle compounds the disconnect, and is accompanied by repetition and efforts to fit these elements into the design later.

- **Additional burden of GEF procedures.** GEF procedures—such as cofinancing letters, analysis of incremental costs, GEF-specific formats and summaries, application of the GEF operational principles, and additional GEF reviews—represent significant add-ons to the requirements of Agencies' existing project cycles. Consequently, GEF projects take longer than Agency standards in all phases before the project starts.

- **Gatekeepers.** Project proponents must navigate a chain of gatekeepers in order to have their projects approved, with proposals often returned for reformulation. Not all of these gatekeepers apply the frequently changing GEF principles and policies in a consistent manner, resulting in interruptions to the Activity Cycle with little gain. The project preparation process is therefore iterative and inconsistent, and proposal proponents face considerable uncertainty. Project appraisal is subject to delays due to multiple—and often duplicative—reviews, necessitating extensive discussions and correspondence on project document eligibility, design, and content.[2] Moreover, despite the rigorous requirements and increasing appraisals, projects still arrive at the GEF Council to be rejected or subject to additional reformulation.

- **Project- and Agency-specific circumstances.** Elapsed time is affected by project-specific circumstances and Agency project cycles, the nature of the GEF projects, and local circumstances, but these cannot consistently account for the overall increase in elapsed time. There is no dominant pattern in linkages between

elapsed time and complexity in focal area, regions, country circumstance, or budget size. Any inefficiency in an Agency cycle step tends to balance out over time by compensating strengths in other steps of the cycle, so no internal Agency cycle step is a consistent bottleneck. In short, some outlier projects take a long time while others take a short time. There is potential to gain efficiency; for example, 17 projects pipelined in 2005 were approved in 2006 in an average of eight months.

- **Lack of trust.** Compounding these factors, the evaluation noted a significant lack of trust among the GEF partners, notably the GEF Secretariat, the Agencies, and the Council. While some degree of mutual skepticism might have been expected initially in such a novel and complex undertaking as the GEF, it seems regrettable that such mistrust persists after a decade and a half. Despite all the detailed policies and procedures put in place, together with the evident growth in capacity of the Agencies and the GEF Secretariat over this period, duplicative review and micromanagement are still apparent throughout the system.

Finding 3: The GEF Activity Cycle is not cost effective.

Given the relatively long GEF Activity Cycle, the evaluation considered the possibility that longer preparation times were resulting in higher quality—well-designed and highly successful—projects. If so, are the delays and efforts for GEF projects justified and acceptable because projects are of corresponding high quality?[3]

Longer preparation time has not resulted in better projects. The analysis shows no relationship between the time spent by project proposals in the Activity Cycle and subsequent performance ratings either during project implementation or after project completion. This finding has two implications: (1) there is no proof that weak proposals take longer to formulate and cause delays, and (2) the additional time proposals spend going through the GEF Activity Cycle does not lead to more successful projects within the GEF portfolio. The long periods of preparation, appraisal, and approval cannot be considered cost effective if they make no notable difference to performance.

The analysis suggests that the additional GEF documentation, review, and approval requirements do not add to the quality of the portfolio. For example, information on portfolio performance indicators for the World Bank's GEF program are generally at the same levels as for the Bank's non-GEF projects (see box 1.1).

Box 1.1

World Bank Portfolio Performance Indicators, FY 2006

- **Projects at risk.** 12 percent for GEF; 14 percent Bank-wide
- **Ratings of satisfactory outcome.** 86 percent for closed GEF projects assessed between 2003 and 2006; 82 percent Bank-wide
- **Likelihood of sustainability.** 71 percent for closed GEF projects assessed between 2003 and 2006; 85 percent Bank-wide

Source: World Bank GEF Coordination Team.

Furthermore, the GEF's internal cost effectiveness is decreasing, since the cycle now takes more time and effort than it used to with similar budgets, results, and scope. There is room for gains in achieving better or the same results with less resources in terms of money and time.

GEF projects continue to experience the same design and implementation challenges as other aid projects. For example, past project performance reviews (PPRs) and APRs identified several issues

regarding project formulation, including overly ambitious and complex design, failure to assess underlying problems or risks sufficiently, and weak planning for sustainability and replication. The 2004 International Waters Program Study found that "Inadequate project design has been a problem cited in a number of project midterm and final evaluations" (GEF EO 2004c). The 2005 APR established that only 58 percent of projects comply with GEF Council expectations on M&E arrangements at the point of CEO endorsement. There are also examples of projects proposed for work program entry that appear to be outside the expected technical area or comparative advantage of a particular Agency.

Qualitative assessments, including the recent Evaluation of Incremental Cost Assessment undertaken by the GEF Evaluation Office (GEF EO 2007b), show that considerable energy is spent on obtaining quality on paper but with limited value added in substantive terms. Such "paper evidence" includes the required project document annex on incremental cost analysis and the quest for cofinancing letters. This evaluation visited several project proponents who had obtained 22 or more letters—and still their projects were not approved. Moreover, the team heard, during its field visits, that "Some comments received for the proposal and project appraisal from the GEF Secretariat were more related to the writing style and language and not to the content or substance of the proposal" and that "ideas received" from the GEF Secretariat "are often completely out of place."

A universal complaint is that the focus on correct GEF language calls for the use of external experts—called "GEF gurus" by some—which represents a barrier to quality elements of national ownership and drivenness. A Mexican stakeholder expressed it succinctly: "It seems that GEF projects…have to go back and forth to get the right words."

Cycle cost effectiveness is further reduced by the fact that cycle delays tend to cause a number of negative effects. One observation made by a survey respondent captures a widely held view: "As the rules became stricter, the stages from concept development, project preparation, and project appraisal tend to drag, resulting in the withdrawal of good proposals by proponents who could not afford to wait, and lost opportunities for government ownership." The long process in formulation until approval often reduces the quality of the project by making it outdated by its start. The GEF procedures on resubmission in case of changes discourage redesign to secure project quality. One result of delays in appraisal and approval is the gap, often up to 18 months, between the completion of PDF-financed project preparation and the beginning of implementation. This gap makes for a critical disruption for project staff in recipient countries, as the GEF does not permit the use of resources after Agency approval until project start.

The GEF Council has responded to growing concerns about the length and complexity of the Activity Cycle by encouraging simplification, better coordination, and the imposition of strict time limits. However, the Council has not yet indicated that the technical standards of project preparation, appraisal, and approval should be relaxed or the barriers to entry lowered to offset the increasing complexity of and demands on the cycle.

Finding 4: The GEF modalities have not made full use of the trends in its Agencies and partner countries toward new forms of collabora-

tion; fostering ownership; and promoting flexibility, efficiency, and results.

The GEF has seen a recent proliferation of new types of modalities, including special funds as well as new and overlapping terms and practices for existing modalities. These various mechanisms include programmatic approaches, umbrella projects, the targeted portfolio approach, corporate programs, phased and tranched projects, country programs and programming frameworks, subprojects, partnership approaches, and various financial and disbursement mechanisms. The growth in modalities is linked to the inability of the regular Activity Cycle to respond efficiently and flexibly to different needs—and has led to confusion among stakeholders, misunderstandings between partners, and concern on the part of the Council. There is a need for greater clarity by the GEF in terms, definitions, application, and policies regarding different types of projects and modalities.

Countries need the GEF to facilitate long-term vision and programming in line with the nature of global environmental benefits, the Resource Allocation Framework (RAF), donor harmonization practices, and country priorities. Exemplifying the desire for such long-term support, country visits and stakeholder consultations revealed strong demand for programmatic frameworks, umbrella projects, and tranched and phased projects. The evaluation found that these are useful tools that should be pursued by the GEF in a more systematic and coherent manner.

Lessons Learned from Previous Efforts to Streamline and Simplify

Streamlining efforts have had limited impact. The GEF's growing complexity has not been mitigated by the discontinuation of any significant steps or requirements in the Activity Cycle. The analysis shows that virtually none of the several attempts made since 1998 to reform and simplify GEF procedures have made a notable difference in expediting the Activity Cycle. For example, although the CEO endorsement for MSPs has shortened the MSP cycle, this still remains long compared to Agency cycles for similar and larger projects. Evaluations, most recently the 2005 Third Overall Performance Study (OPS3) and the 2005 APR, continue to highlight concerns on the time it takes for a GEF project to begin implementation. This suggests that the potential time savings to be gained by refining current procedures have limited prospects for delivering significant improvements without more fundamental changes in the way that the GEF does business.

It is now clear that many of the expectations and claims made by earlier GEF cycle reform efforts within both the GEF Secretariat and the Agencies were not based on a full appreciation of the underlying problems. As a result, their expectations tended to be overly optimistic, and underlying institutional incentives were given relatively little attention. Moreover, most efforts toward streamlining in the GEF have resulted in *additional* requirements designed to mitigate the negative impacts of existing requirements.

1.4 Recommendations

Recommendation 1: No easy fix will improve the Activity Cycle—what is needed is a radical redrawing of the cycle, maintaining the quality and attributes for GEF funding.

The excessive length of the GEF Activity Cycle has left all stakeholders frustrated while eroding the GEF's credibility as an attractive partner to work with to support the global environment. Moreover, there is a perception among partners that the situation is deteriorating, and disappointment that attempts at remedies have failed in the past.

GEF cycle management is lagging behind international good practice, and ultimately impedes the achievement of impact since it is taking longer and longer to make projects operational on the ground. In an increasingly competitive environment for resources, public sector agencies need to clearly demonstrate important development results with positive effects to decision makers and beneficiaries. The success of the GEF-4 replenishment period and the RAF will depend, in part, on the mechanisms that are developed to enable the GEF to provide timely support.

Were the GEF Activity Cycle to be developed from scratch today, it seems inconceivable that anything resembling the current system would be proposed. The time for adjustments or fine tuning has passed. Now there is a need for an overhaul, to wipe the slate clean and rethink the cycle with the overarching goal of keeping it short and increasing transparency and predictability as well as decreasing transaction costs. The GEF needs sufficient flexibility to address the changed context of international cooperation and support global environmental benefits in a dynamic manner.

Fortunately, the GEF operational context that guided the original design of the Activity Cycle has changed since 1991. Several recent developments lay a foundation for a new way of doing business and point to solutions that go beyond tinkering with the cycle as it functions today. The institutional framework now contains mechanisms for oversight and validation, broadened capacity among partner Agencies, extensive experience with GEF project development, a renewed focus on national ownership and endorsement, and an increased emphasis on targets and indicators. Furthermore, the increase in cofunding shifts the GEF's role from that of the lead partner drawing attention to global environmental benefits to a relatively minor financer of support; this shift means, as one stakeholder expressed it, that the GEF can no longer insist on "calling all the shots." All these elements require a fundamentally different approach in the cycle.

The evaluation itself cannot redefine the Activity Cycle. However, it can formulate principles to guide this effort and propose a few key decision points in a new cycle. The following principles can be applied under the banner of overall simplification.

1. **Consistency with the GEF *Instrument*** regarding operational modalities. There is a need to go back to the fundamental intentions behind GEF management, which have been diluted over time. On GEF projects, the *Instrument* prescribes endorsement by the CEO before final project approval, provided it is consistent with the *Instrument* and GEF policies and procedures (GEF 2004i, section VII).

2. **Employing the comparative advantages of the different parts of the GEF system**, including the Council, Secretariat, recipient countries, Agencies, STAP, and Evaluation Office, as appropriate, at the various points in the cycle. The number of partners and changed roles, increased project and context complexity, and increase in procedural requirements have not only led to duplication of effort, but also to gaps that need to be filled. The increasing complexity and growing portfolio call for an increased focus by the Council—as well as the GEF Secretariat—on strategy and policy, portfolio monitoring, and program results verification. Since 1991, awareness of environmental issues, capacity in addressing GEF concerns, and project management experience have all increased among the GEF partners. The evaluation has also identified strides in simplification of Agency operations systems and has found that the Agencies have policies or requirements that

are compatible with the main GEF operational principles. There is significant scope to use certified Agency systems for operations and design that would enhance efficiency and effectiveness. The national partners are assuming new responsibilities for greater ownership and participation. The STAP has proposed reforms to increase its relevance to project quality. All these partners must be empowered to fulfill their roles within an environment of trust, transparency, and accountability.

3. **Working within the emerging RAF**, with a corresponding deployment of resources in the Activity Cycle toward the project implementation phase; as recommended by OPS2 (GEF 2002g), a shift in emphasis from an "approval culture" to a culture of "quality and results." The overall portfolio could benefit from more programmatic approaches as requested by countries, which at the same time would reduce the administrative workload. Results-based management (RBM) is dependent on strong partnering around results and on harmonization efforts to maximize the impact of assistance. Any changes to the cycle must also fit the needs of all focal areas and regions, both subject to the RAF and project-by-project approval. The focus on results and country leadership provides a good opportunity for scale-up and replication of current programmatic approaches based on lessons learned.

4. **Establishing performance benchmarks** for measuring the efficiency and effectiveness of GEF operational policies and procedures, as well as Agency scorecards and enforceable time standards. Such systems of checks and balances, and clear definition of validation roles, should accompany the devolution of responsibilities in the formulation, appraisal, and approval phases. Full transparency is a precondition for performance measurement systems and accountability for compliance with deadlines so as to provide consistent and comprehensive information that is available to all parties.

5. **Ensuring a regular monitoring and clean-up of proposals in the Activity Cycle** that will make timely decisions to discontinue proposals that are in danger of obstructing the pipeline, are in perpetual redevelopment because additional formulation or information is sought, or have been sidelined because the circumstances are not right to move forward or the underlying ideas turn out to be very difficult to operationalize. A regular clean-up of the proposals in the cycle will ease the flow and lead to quicker decisions on projects that are well designed. Relatedly, the GEF Secretariat and others should not ask for modifications on proposals more than once so as to avoid lengthening elapsed time.

6. **Allowing scope for proposals that are well embedded in programmatic approaches**, whether national or regional, or in focal areas, that ensure that individual projects benefit from interacting with other projects.

The following recommendations identify elements that would allow for a complete restructuring of the Activity Cycle and modalities while applying these principles.

Recommendation 2: A shift toward RBM will ensure quality during implementation and enable a dramatic reduction of the detailed "blueprint" information currently required in the formulation and appraisal stages.

The GEF should accelerate its move toward results-based management that started with its introduction of the RAF, harmonization of the evaluation function, and the ongoing development of a framework for portfolio monitoring. In particular, development effectiveness should be pur-

sued *directly*, for tasks directly relevant to the GEF Secretariat, by simplifying the framework and the steps of the GEF Activity Cycle; and *indirectly*, by ensuring that the GEF partner Agencies are supported in their own simplification efforts. The aim should be to improve predictability, focus on program-level outcomes and results, and decrease transaction costs. After introduction of the RAF, harmonization of the evaluation function, and application of results indicators and portfolio monitoring, the GEF is well positioned to move to the next level of RBM and thereby streamline the cycle through three main initiatives.

- **A comprehensive results-based management framework** for the GEF, to be implemented in GEF-4, that will incorporate monitoring and reporting at three levels: corporate, programmatic (focal area), and project. Delays in project start/implementation and compliance with M&E would also be tracked by the annual portfolio performance report. Issues best covered by monitoring include cost effectiveness, flexibility, participation and ownership, resource mobilization, and progress toward outcomes.
- **The application of the GEF Monitoring and Evaluation Policy** and the system of performance measurement provided by the independent GEF Evaluation Office, with support from the Agency evaluation units. This rubric now provides for systematic conduct and assessment of project evaluations, as well as impact evaluations, country portfolio evaluations, and review of the focal area GEF-4 strategies that incorporate all projects. Aspects of M&E quality, project-at-risk systems, and quality at entry are also covered. Issues best covered by evaluation include sustainability, replication, actual cofinancing mobilized, and impact.
- **The development of the new management information system** approved at the November 2005 Council meeting. From the perspective of the Activity Cycle, a new data system can be simple but must be disciplined and consistent with established business practice. Its ability to track a project's progress through the cycle is indispensable. The GEF should take full advantage of modern communication opportunities so as to become more service oriented and provide its stakeholders with accessible information regarding its policies and procedures on its Web site. Although still a work in progress, the Joint Evaluation Database will be available to facilitate further analysis, with the potential to provide a relatively low-cost tool to support management oversight of the Activity Cycle.

The GEF requirements for project design and content can be revisited and drastically simplified. Rather than mechanically following detailed design and reporting requirements, partners should be expected to be more closely involved in the strategic choice of M&E mechanisms, adaptive management, reporting on GEF concerns, and follow-up and learning. The evaluation has identified design elements that already form part of the Agencies' and governments' regular project design process: incorporation of lessons learned; project consistency with national or other plans and priorities; identification of major stakeholders and planning for their involvement, including safeguards for marginal groups; principles and policies for national ownership, stakeholder participation, and disclosure; and analysis of likely sustainability and risks. The use of existing Agency systems for design would allow GEF projects to benefit from Agency and national project proponent capacities to develop non-GEF projects with similar quality and a much faster process.

Recommendation 3: The identification phase should simply establish project eligibility, whether resources are in principle available,

and whether the concept is endorsed by recipient countries.

Identification of GEF assistance is crucial to a smooth project development process. The difficulty in determining GEF eligibility (or "GEFability," as some stakeholders express it) is a key factor in delays, in dropped project proposals, and in wasted efforts that could be put to better use for the global environment. After more than a decade, the GEF has developed considerable experience in determining whether a project proposal has incremental components. However, the knowledge of how to justify incremental costs is not easily accessible to country and Agency stakeholders and is open to individual interpretation. Proposed projects are essentially subject to incremental justification, strategic priorities, other preferences exercised by the GEF Secretariat to shape the portfolio, and financial resource limitations. The GEF Secretariat would need to judge project eligibility and consistency with priorities on relatively limited information; otherwise, the identification phase turns into an appraisal phase.

The GEF has already begun a shift toward emphasizing identification. The underlying premise of the RAF is country drivenness in the identification process. In August 2006, the GEF CEO introduced a project identification form (PIF) to be submitted by the Agencies to the GEF Secretariat. The PIF effectively subsumes the need for a concept brief for pipeline entry. The proposal must obviously fit with the endorsed pipeline for climate change and biodiversity projects. Evolution has already overtaken the pipeline entry phase, by which the PIF and the RAF endorsement process of proposals de facto constitutes the pipeline. The same principles could be applied to other focal areas. Proposals must, however, be made publicly available to ensure transparency for the Council, local stakeholders, and other partners.

Early identification should be in keeping with the original vision of the concept phase as discussed by the GEF in 1995: that is, to ascertain whether a proposal is eligible for GEF financing—no more, no less. Identification should provide sufficient assurance that a likely good project, in line with global and national priorities, can be developed. It should not provide assurance that the project is well designed, as it has not been formulated yet. Unless the GEF exercises restraint in asking for planning details at this early stage of the process, past experience points to the risk of further delays occasioned by subsequent redesign.

Recommendation 4: The work program as presented to the Council should move toward the strategic level.

A work program should be presented to the Council for consideration on a more strategic level. As envisaged in the *Instrument*, the work program should be prepared by the Secretariat and Implementing Agencies, in cooperation with eligible recipients and any executing agency. Originally, the focus of the work program for Council approval included "an indication of the financial resources required for the program" (GEF 2004i, paragraph 29) and preparation of the program in accordance with the principles of cost effectiveness, country drivenness, and flexibility (GEF 2004i, paragraph 4). Since then, the needs related to work programming have evolved. For example, overall management of financial resources has increased in importance, as exemplified by the GEF Secretariat recall of 2006 approvals for lack of liquidity. The increasing number of project proposals makes it more difficult to maintain a systematic overview of portfolio consistency with priorities, and work program entry has caused further delays in the cycle.

Several scenarios are possible that could fill voids in portfolio management that are not currently

addressed and, in turn, support quality project development. The work program content could, for example, include an overview of country RAF strategies, lessons learned from the portfolio, and updates on GEF-4 strategies and program outcome indicators; cofinancing plans; and program priorities and eligibility criteria for individual projects; among others. The work program would provide information on the composition of the pipeline as approved by the CEO on the basis of the PIFs. A work program at a strategic level would also present a greater opportunity to address how the cycle generates a portfolio of projects that are mutually supportive, as the approval process could look across PIFs at portfolio-level synergies. In other words, the whole portfolio should be greater than the sum of its individual parts.

Recommendation 5: Fully documented project proposals should be endorsed by the CEO on a rolling basis.

GEF projects should be subject to a rolling endorsement by the CEO before final project approval, as envisaged in the *Instrument*. If the endorsement process is smooth, the Agency would be able to schedule its own approval shortly thereafter. In keeping with the principle of full disclosure of project documentation, reviews, and project status, endorsement appraisal of proposals and projects can be performed as an online review—accessible to all—and conducted on a rolling basis. Comments on the project document should be limited to essential and substantive issues to be addressed by the Agency and project proponents for Agency approval, and be posted on the GEF Web site for later verification by spot checks and M&E mechanisms. The CEO should be free to submit a project to the Council if the project is seen as raising a sensitive or policy issue, while ensuring that consistent policies are available on key issues and not driven by a specific project proposal presented for approval.

In line with RBM principles, appraisal should focus on whether the project has developed a sound strategy to achieve results and management mechanisms to monitor progress and adapt its strategy accordingly. The current cycle has developed distorting incentives that promote comments that are increasingly detailed; this could be avoided by introducing non-objection approvals when proposals are consistent with GEF policies and procedures. Full and transparent use of online electronic tools would allow the CEO to inform the Council and other stakeholders of all proposals submitted for endorsement, thus allowing interested Council members to stay informed of project proposals and raise objections they feel are warranted.

1.5 Issues for the Future

The roles played by the GEF partners are complex and changing. The GEF Secretariat has portfolio monitoring responsibilities, the STAP is in the process of reform, and the GEF Evaluation Office became an independent entity in 2003. Country roles in GEF decision making on individual projects are becoming more significant. National focal points must now take on pipeline planning. Donor countries have increasingly required project design changes before approving projects, while recipient country procedures are becoming significantly more influential with the introduction of the RAF. As countries take a more direct role in setting priorities for and monitoring their overall GEF resource use, more decisions are being made at a national level, requiring a synchronization of the GEF Activity Cycle with national needs and practice. Without dramatic changes in other steps as recommended above, the cycle can be expected to grow still longer as a result.

The GEF has not taken full advantage of learning opportunities on project management within the international development community. For example, the arrangement of the UN system for a common country presence and the internal harmonization effort among all UN agencies at the country level could provide an entry point for the GEF to strengthen country-level support for RAF implementation. This suggests closer observation of trends in international harmonization and simplification by the GEF—for example, through participation in the relevant working groups and task forces or through agreements for mutual information exchange on organizational matters, with active follow-up on procedural changes.

The cost effectiveness of project preparation funding requires further analysis. The use of PDF funds to prepare both full- and medium-size GEF projects has grown in both relative and absolute terms. A significant proportion of PDFs spend a relatively long period of time being implemented, and GEF information systems are currently unable to either track the progress (or lack thereof) of PDFs through the Activity Cycle or to measure their results. Thus, the value of the PDF contribution to developing GEF projects is difficult to assess, although the analysis shows no relationship between the presence of PDF funding and subsequent performance ratings. The procedures for obtaining PDF funds also cause delays.

While comparisons of projects with and without PDFs do not indicate obvious advantages for the use of PDFs, if the GEF and Agencies continue to require relatively complex project documents with frequently changing requirements, there may not be an alternative to providing some form of project development facility in financing project preparation. Not many countries would find it worthwhile to build up their own capacity, and Agencies may be naturally reluctant to advance funds for this purpose. On the other hand, if the recommended revamping of the cycle does lighten requirements and shortens the gap between formulation and project start, the need for formulation support should change.

Although the GEF is the world's largest environmental fund and the only fund to target incremental costs for global environmental benefits, it is also mandated to be innovative and catalytic. In this context, the GEF should examine the effectiveness of a country-based pilot program that uses a *sector-based approach* to determine whether there are advantages in pursuing this approach in the future.

2. Purpose and Methodology

2.1 Objective and Rationale

The objective of this evaluation is to review experience in the programming and management of GEF support activities with a view to supporting further simplification in GEF operations. Specifically, the evaluation should

- demonstrate the strengths and weaknesses in the GEF Activity Cycle and modalities and identify the contributing factors;
- identify and analyze the constraints that need to be addressed to improve efficiency in GEF operations, including possible changes in procedures and systems;
- provide recommendations to increase the efficiency and effectiveness of GEF operations and modalities.

The evaluation's key questions address whether the GEF Activity Cycle is efficient and effective; and whether the GEF modalities are efficient, effective, and relevant.

The need to streamline and simplify the Activity Cycle has been discussed and identified in numerous evaluations, GEF Council documents, and GEF Assembly and replenishment decisions. The fourth replenishment of the GEF Trust Fund found that

> In order to expedite the provision of GEF resources for projects in recipient countries, the project cycle should be streamlined. The Secretariat and GEF agencies should propose to Council at its meeting in May/June 2007, taking into account the results of the project cycle evaluation under preparation of the GEF Evaluation Office, specific steps to streamline the project cycle without compromising project quality or undermining financial accountability (GEF 2005f, paragraph 22).

The need for the present Joint Evaluation was identified by the GEF Implementing and Executing Agencies during consultations on monitoring and evaluation in the GEF. The cycle was recognized as a common challenge in which all partners had a stake. In June 2005, the Council approved the evaluation as a special initiative, underscoring that "the project cycle elapsed times are still too long" (GEF Council 2005). As the facts on elapsed time have been fully acknowledged in previous Council reports, the evaluation would use this as a point of departure and focus on analyzing underlying causes.

The evaluation should help the Council to discuss options for efficient delivery of GEF assistance that maximize quality and cost effectiveness. The GEF Secretariat and Agencies will use the evaluation to develop proposals for streamlining the cycle to guide project development within the GEF-4 replenishment period. All partners consulted in the evaluation expressed great satisfaction that the GEF was finally addressing the pervasive problems of its Activity Cycle. Stakeholders expect that

a simpler project cycle will lead to reduced transaction costs and workload in developing quality projects for the GEF.

2.2 Scope and Methodology

The evaluation is based on a conceptual framework and evaluation matrix (see annex A). To ensure that all partners in the evaluation would have a common understanding of the issues to be addressed, considerable effort went into methodology discussions. The matrix defined various concepts used; determined the application of the evaluation criteria of efficiency, effectiveness, and relevance to the Activity Cycle and modalities; and defined norms and indicators to assess the cycle based on these criteria. To make the scope more manageable, it was decided to concentrate on areas where historically major challenges have been identified—namely, the earlier phases of the cycle from concept to project start, and the FSP and MSP modalities. See annex A for discussion of data limitations.

Thus, the evaluation focused on the time, effort, and money it takes to develop and implement a GEF project, assessed first with regard to the GEF's own time standards and second to Agency practice for comparable projects. To assess *efficiency*, the evaluation considered the work distribution at different stages of the Activity Cycle.

For *effectiveness*, the evaluation focused on the underlying goals and norms of the current Activity Cycle and modalities. It assessed how effective the cycle phases are in producing quality products (using project performance ratings and quality at entry as proxies) and in adding value to the project. (Value added was derived from the 10 GEF operational principles, which were prioritized and adapted to apply to the cycle or modality level.) The evaluation also considered possible trade-offs among goals and norms.

The *relevance* of modalities was assessed against the guidance expressed by the various conventions, GEF and Agency mandates, and country needs and priorities.

To address the subject's complexity and facilitate workload distribution among the partners, the evaluation was organized in eight components in accordance with the concept of triangulation;[1] these comprised documentation review and meta-evaluation, empirical data analysis and validation, and stakeholder perceptions. For the various modalities and cycle phases, data were codified across the components according to an approach analyzing strengths, weaknesses, opportunities, and threats (SWOT). The supporting technical papers are available on the GEF Evaluation Office Web site.[2]

Documents Reviewed

To establish the underlying goals and expectations of the Activity Cycle, the evaluation commenced with a review of the *legislative framework* related to GEF-specific legislation and any other specific Agency legislation that governs GEF projects (component 1). The evaluation reviewed and codified more than 160 Council documents and 25 joint summaries related to the cycle, modalities, roles, and strategies since 1991; convention guidance; Agency memorandums of understanding and financial procedures agreements; as well as various Agency safeguard, procurement, and other policies and procedures. Using the same codification system, a *meta-evaluation* was undertaken of GEF evaluations and Agency evaluations with findings on cycle or modalities issues (component 2).

Exploratory Studies

Two substudies were undertaken in order to develop the external context and gauge opportuni-

ties for streamlining GEF approaches in the future. One review covered completed and ongoing initiatives for *simplification and harmonization* in program management of the partner Agencies and of the development community in general; this was directed by the UNIDO Evaluation Group (component 3). A second exploratory review, undertaken by the UNDP Evaluation Office, addressed *aid delivery modalities* used by other Agencies that might be of relevance to the GEF (component 5). This review included an overview of the regular modalities of the GEF Agencies and of other key donors, international nongovernmental organizations (NGOs), and global funds. The two substudies encompassed expert interviews and reviews of a large number of documents from the multilateral development banks (MDBs), the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), the UN, the GEF, and the GEF Agencies.

Cycle Processes Reviewed

A review of Agency cycles provided a factual overview of the programming processes in the 10 relevant Agencies as well as in the GEF Secretariat (component 4); this initiative was led by ADB's Operations Evaluation Department. Given the need for good knowledge of Agency systems, the Agencies provided self-assessments, which were reviewed by the evaluation with consultant support. The overview was complemented by a review of relevant manuals, operational guides, and legal documentation, as well as interviews and studies of actual experience. To ensure comparability, the assessment was based on the Joint Evaluation matrix, and included both cycles applied to GEF projects and to Agency regular projects.[3]

Portfolio Reviewed

A desk assessment covered analysis of GEF project documents and related project management and monitoring documentation (component 6). An Excel database was compiled at the project level for all recorded full- and medium-size projects and proposals processed by the GEF (1,926 in total) across all GEF replenishment periods, as well as for enabling activities. The GEF Secretariat provided data from the Project Management Information System (PMIS). This information was corroborated with all Agencies, either by downloading their GEF portfolio databases or manually cross-checking the PMIS data. Further information was added from Council and project documents, and verified through relevant field visits. The Joint Evaluation thus compiled an unprecedented record of the status of every proposal and project and of processing dates as proposals move through the cycle (see box 2.1 for terminology used), enabling measurement of elapsed time. The evaluation also obtained financial data from GEF Trustee records.

The projects in the portfolio were codified according to various parameters, including elapsed time, GEF replenishment period, context (region, focal area), monetary allocation by the GEF and cofinancing amounts as of CEO endorsement, project nature, and country classifications of income and geography. These basic data were cross-analyzed with data on performance ratings for ongoing and closed projects from M&E documents—specifically, 383 project implementation reviews (PIRs) and 116 terminal evaluation reviews (TERs). In addition, projects were analyzed by modality and submodality (nonexpedited, umbrella, phased, tranched, and programmatic approach).

Countries Visited

Field visits provided in-depth examples and information on the GEF cycle and modality experience from 18 countries (component 7). The countries visited—Bangladesh, China, Costa Rica, Ecuador,

Box 2.1

Status of Proposals and Projects: Terminology Used in This Report

Because the evaluation drew on data from multiple partners over several years, issues of consistent terminology inevitably arose. Following are the various terms used by the partners and this report in referring to the status of a proposal or project in the GEF Activity Cycle. Additional definitions for relevant terms of art can be found in the glossary at the end of this report; also see box A.2 in annex A.

Aborted. Proposal that never entered the pipeline but was instead rejected.

Active. Ongoing project under implementation.

Approved. Proposal that has received GEF approval; at this point, it becomes a project.

Canceled. Project terminated after approval, normally during implementation.

Closed. Finished project; has either a terminal evaluation report/review or has been reported as both operationally and financially closed by Agency.

Completed. Same as *closed*.

Deferred. Same as *aborted*.

Dropped. Proposal that entered the pipeline but was later rejected before work plan approval.

Implemented. Same as *active*.

Not recommended. Same as *aborted*.

Pending, pre-pipeline. Proposal that has not entered the pipeline because it has stalled for various reasons, but has been recorded in the GEF Project Management Information System.

Pipelined. Proposal that has entered the pipeline.

Started. Same as *active*.

Transferred. Same as *aborted*.

Unapproved. (1) Proposal in the pre-approval stages or (2) proposal that has been rejected before entering the pipeline.

Withdrawn. Same as *aborted*.

Work program entry. FSP that has received GEF approval, at which point it is said to enter the work program.

Egypt, Ghana, Kenya, Laos, Macedonia, Madagascar, Mexico, the Philippines, Senegal, Slovakia, South Africa, Sri Lanka, Tunisia, and Turkey—spanned all regions with GEF projects. Over 300 people were interviewed, either individually or in groups.

The visits were conducted by the GEF Evaluation Office and the evaluation offices of the Agency partners, in accordance with guidelines established by the GEF Evaluation Office and following the GEF operational principle of cost effectiveness (that is, visits were combined with planned missions of the partners on other or related subjects). The stakeholders interviewed included GEF operational and political focal points, Agency staff, other relevant national government stakeholders, and GEF project staff. NGO and private sector stakeholders were also consulted in some cases. The field visit protocol included questions about the perception of the GEF Activity Cycle, the GEF modalities, the GEF operational principles, and comparisons to other donors; it also sought specific recommendations from stakeholders. The interviews were codified in a common protocol that included a SWOT matrix for the Activity Cycle phases, the modality types, the operational principles and the roles of GEF partners. The data from these protocols were aggregated in a spread-

sheet that identified recurring and divergent opinions across interviewees from different countries.

Stakeholders Consulted

An electronic survey of stakeholders elicited views on experiences with the GEF cycle and modalities, and on the effectiveness of GEF programming (component 8). The feedback from country visits guided questionnaire design. The respondents included current and past stakeholders, including Agency staff; national governments; STAP roster experts; GEF operational and political focal points; international, national, and local NGOs; convention national focal points; the private sector; GEF Council members; STAP members; state and local governments; the GEF Secretariat; the GEF Evaluation Office; convention secretariats; and others (including consultants). The data were disaggregated for 17 stakeholder groups to consider nuances among respondents.

The survey encompassed both multiple-choice and open questions, which were grouped in five main sections: the GEF Activity Cycle, GEF modalities, GEF operational principles, comparisons to other international agencies, and respondent profile. Some verification questions were introduced, such as questions on the perception of the most and least helpful Activity Cycle phases for improving the focus on global benefits. The responses to these questions indicated a high degree of consistency overall.

The survey was widely disseminated among GEF stakeholders electronically. The Joint Evaluation Management Group—whose members were drawn from all the evaluation offices of GEF partners—elaborated a strategy for survey distribution to ensure the broadest possible stakeholder targeting using the available GEF and Agency email lists. The survey was sent to approximately 2,075 stakeholders and was responded to by 660—the highest known number of respondents to GEF surveys to date—for a response rate of 32 percent. The survey's main target group was Agency staff (68 percent of total sourced responses, or 225), followed by national governments, including state and local governments (17 percent of responses, or 56).

2.3 Process and Organization

This evaluation marks the first time that a fully joint evaluation has been undertaken by the GEF partnership. It is unique in the international evaluation community both in terms of the wide range of partners involved—12 evaluation offices—and its participatory and burden-sharing approach.

The evaluation has brought considerable savings to the GEF through new and additional funding estimated above $200,000. The consultants recruited directly by the Agencies represent around $90,000 in consultancy fees. Organization of the workshops is estimated at $10,000 in actual costs for the host Agencies (not including administrative costs, travel, and logistics); the alternative cost for field visits would amount to more than $100,000 (a conservative estimate).

Equally important, the evaluation has led to increased cooperation—both among the Agencies' evaluation departments and between evaluation units and operational departments—as well as enhanced knowledge of GEF matters in the partnership. The direct involvement of the Agency evaluation units provided access to information, support, and understanding of internal processes. This cooperation enabled the delivery of this evaluation report and supporting documentation.

Structure

The evaluation departments of the GEF partners managed and conducted the evaluation independently through the Management Group, whose

members provided data and information, reviewed documents, and ensured methodological rigor in analyzing the findings pertinent to their Agency. Most of the work was conducted by a core group, led by the GEF Evaluation Office, which included the evaluation offices of the three IAs and of ADB and UNIDO. A larger consultative group of partners included the Agency GEF coordination units and GEF Secretariat; these partners provided data, inputs, documents, and comments related to the evaluation products. The GEF Trustee, STAP, and NGOs were also consulted.

The evaluation was highly participatory among partners and stakeholders. The internal nature of the subject called for close involvement of Agency partners with detailed knowledge of the subject. Agency self-assessments, partly with consultant expertise, were based on the framework and templates provided by the GEF Evaluation Office. Each of the eight components had a lead Agency that worked directly with the GEF Evaluation Office to coordinate logistics, develop methodology, extract key issues, and review documents. Some partners took on separate studies of subthemes. To ensure an overall unified perspective and neutrality, the aggregation of findings was led by the GEF Evaluation Office and external management consultants.

Workshops

The evaluation process was propelled by periodic workshops and meetings, bringing the partners together to agree on issues and steps. The evaluation was launched at a workshop in Washington, D.C., in September 2005. The evaluation matrix was agreed on at a November 2005 meeting, followed by a stocktaking workshop in January 2006. The emerging messages and findings were discussed at a meeting of the evaluation Management Group in early May 2006 in Vienna, hosted by UNIDO. A wrap-up workshop to discuss the results of the Joint Evaluation was hosted by UNDP in New York City in September 2006. In the meantime, peer reviews of papers, data aggregation, and discussion took place electronically and through video- and teleconferences. Documents were shared with the partners on an internal Web site.

Linkages

The Joint Evaluation has benefited from linkages with other initiatives. The information on monitoring and evaluation as a GEF principle and cycle step is mainly derived from the GEF APRs. Additional synergies were created through the exchange of data with the parallel evaluation of incremental cost by the GEF Evaluation Office. Information gathered by the Joint Evaluation has also served as the basis for a review of ExA experience with the GEF, an evaluation requested by the GEF-4 replenishment and June 2006 GEF Council.

Evaluation Follow-Up

The GEF Agencies can use the evaluation either to better understand the cycle experience of the GEF and other Agencies, or to aid integration of GEF activities into their own operations. By providing a snapshot of the Activity Cycle, the evaluation may also serve as a baseline for future reviews of the GEF RAF and other institutional mechanisms. The sponsoring group of partners found that substantial efficiencies can be achieved through international collaboration. The core group will develop a paper on lessons learned from the Joint Evaluation to share with the evaluation community.

3. Context

This chapter provides the context for analyzing the application of the GEF Activity Cycle and modalities. It presents the overarching framework within which the cycle has evolved, the GEF and Agency legislation that governs GEF projects, and key lessons from past evaluations. It also summarizes significant development trends that any future changes to the GEF cycle and modalities must embrace, based on a review by the UNIDO Evaluation Group.

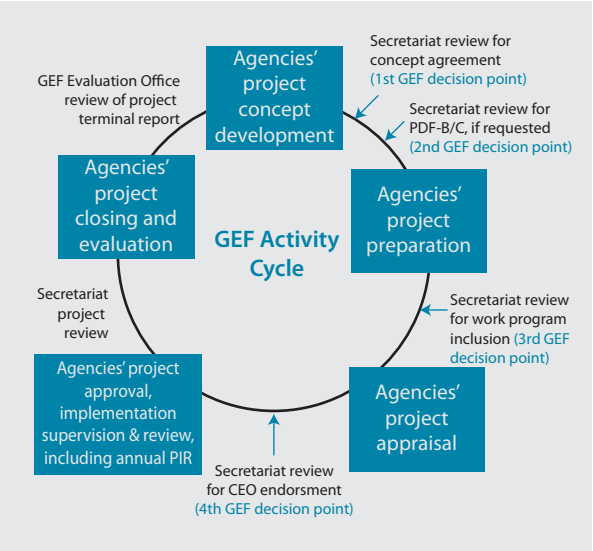
3.1 The Nature of the GEF Activity Cycle

The GEF provides support in various forms, all of which follow a specific process (the Activity Cycle). The dominant form of support is the *project*—a development intervention to attain specific designated objectives in a determined time span and following an established plan of action (UNDP Evaluation Office 2002). Both in development aid and business use, the *project cycle* is a process with relatively standardized phases; typically, identification, formulation, appraisal and approval, implementation, and evaluation.

Each of the 10 GEF Agencies has its own project cycle. The GEF Activity Cycle (figure 3.1) is essentially a generic Agency project cycle into which several GEF decision points have been inserted. The current Activity Cycle describes five major phases plus six points for GEF review, for 10 Agency cycles. Recently, the GEF added a sixth phase by making project approval and start-up a distinct phase from implementation and supervision. This six-phase cycle was in effect during the GEF-3 replenishment period.

Figure 3.1

GEF Activity Cycle, with Agency project cycle and critical GEF decision points

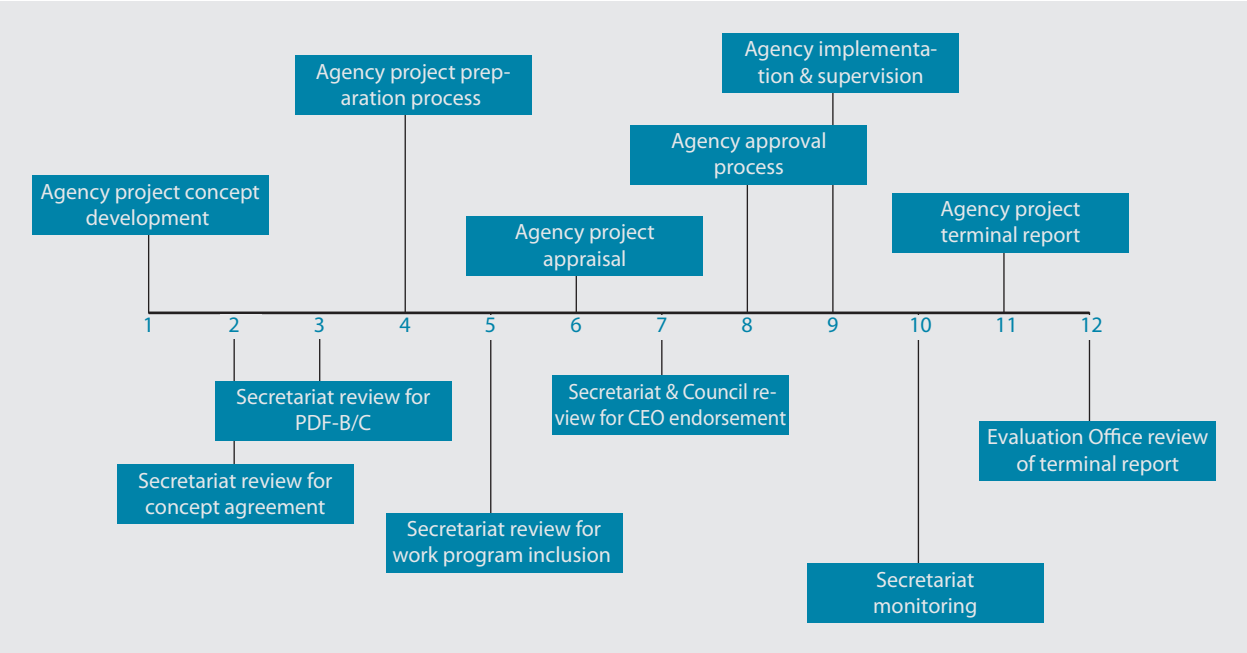


Source: Based on GEF (2003c).

Figure 3.2 presents the cycle in a linear form as a series of key events along a time line. The events are equally distributed for clarity; no attempt has been made to portray expected or actual processing times. Agency activities are shown above the time line, and GEF activities are below the line.

Figure 3.2

The GEF Activity Cycle as a time line



Notes: Intervals shown are not proportional to actual elapsed time. Figure presents a generic, simplified view of the Activity Cycle from the Agencies' perspective. Under the RAF, the process will also include country focal point endorsement of project concept for projects to enter the pipeline.

Such a conceptualization inevitably oversimplifies the project process, as the GEF-specific steps (such as GEF Secretariat review, Council review, CEO endorsement) are essentially time-specific decision points, while the Agency steps are complex project development processes in and of themselves, which may also require substantial work, recruitment of specialized consultants, and complex negotiations with partners in order to accommodate certain GEF-specific project eligibility aspects or design issues. (Note that a clearer sequencing of steps from the GEF side and of responsibilities related to the project cycle is available in Joint Evaluation Technical Paper 2, "Review of Related Initiatives," on the GEF Evaluation Office Web site; in this rendering, the detailed cycle steps have been converted into a GEF-centric flowchart.)

3.2 Evolution and Legal Framework of the Cycle

The GEF operational context that guided the design of the Activity Cycle has changed since 1991. The institutional framework now contains mechanisms for oversight and validation, broadened capacity among partner Agencies, extensive experience with GEF project development, a renewed focus on national ownership and endorsement, and an increased emphasis on targets and indicators. Awareness of environmental issues, capacity in addressing GEF concerns, and project management experience have all increased among the GEF partners. Furthermore, the increase in cofunding shifts the GEF's role from that of the lead partner drawing attention to global environmental benefits to a relatively minor financer of support; this shift means, as one stakeholder expressed it, that the GEF can no longer insist

on "calling all the shots." Were the GEF Activity Cycle to be developed from scratch today, it seems inconceivable that anything resembling the current system would be proposed.

Evolution of the Current GEF Activity Cycle

The GEF provides new and additional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits in six focal areas. When the GEF was first conceived in the late 1980s, the Brundtland Report had argued that alternative sources of funds were needed for protecting the environment. At the same time, internal development agency debate on environmental funding "began in 1986 when some staff found it apparent that the traditional project-by-project approach is an inadequate means of dealing with natural resource degradation" (Sjöberg 1994). Because projects were the main vehicle for assistance by the development community, the GEF was founded on a strong project orientation, which continues to this day.

Since it was not obvious what approaches would be most effective in providing global benefits, the GEF was first organized in an exploratory *pilot phase* (1991–94), during which the three Implementing Agencies "would act in concert to provide a delivery system for global environmental projects" (GEF 1994a). Beyond criteria established by the GEF Scientific and Advisory Panel in 1992, which were focused on testing various technical approaches, no specific GEF framework for project formulation was established. The emphasis was to develop a portfolio and get projects under way quickly, especially in view of the upcoming United Nations Conference on Environment and Development. Not surprisingly, the 1993 evaluation of the GEF pilot phase (UNDP, UNEP, and WB 1994) found that pressure to move ahead with projects before strategic frameworks and criteria were developed raised numerous objections, notably relating to the quality and relevance of the work program. Projects developed during the GEF pilot phase therefore differ from projects approved during subsequent replenishment periods in how they reflect cycle management.

Following the restructuring of the GEF in 1994 and the start of the first GEF replenishment period, the GEF Council approved an *interim project cycle* in November 1994, with an initial PDF providing funding to develop projects from the initial concept stage through final design when necessary. A three-phase cycle was formally defined in a 1994 Council decision: Phase One—from concept to Council work program submission, Phase Two—from Council approval to Agency approval, and Phase Three—from start-up to completion. No explicit goal of the cycle was formulated, but the GEF *Instrument* provision was implicitly applied; that is, to fund projects "that are country-driven and based on national priorities designed to support sustainable development…with sufficient flexibility to respond to changing circumstances…while ensuring cost-effectiveness" (GEF 2004i, paragraph 4).

In its decision, the Council requested that the GEF Secretariat explore the formulation of a project framework approach as a means for further streamlining the project cycle, without sacrificing project appraisal and participation. This was to become a repeated request at future meetings.

The GEF Activity Cycle has undergone several modifications and efforts at streamlining. Key waves of reform, by and large, correspond to the GEF replenishment periods. These milestones in procedural changes include the following.

- **GEF *Instrument.*** As the legal basis for the cycle, the GEF *Instrument* envisages endorsement by the CEO before final project approval, provided the project is consistent with the

Instrument and GEF policies and procedures, and that a work program be prepared among the Secretariat and Agencies, and in cooperation with eligible recipients (GEF 2004i, paragraph 4 and section VII).

- **Pilot Phase (1991–94).** The cycle guidance emanating from the pilot phase did not differentiate among GEF modalities (GEF 1995f), but the *Operational Strategy of the Global Environment Facility* (GEF 1995j) defined three broad, interrelated categories: projects under operational programs, short-term response measures (STRMs), and enabling activities.

- **GEF-1 (1994–97).** The period of GEF-1 focused on establishing systems and procedures in the GEF. In 1996, in response to complaints about the complexity of procedures for regular projects, the GEF introduced medium-size projects with the aim of shortening the number of steps and length of time needed to promote high-quality projects for less than $1 million in GEF financing; it also developed expedited procedures for enabling activities. Procedures were established for approving intersessional work programs between Council meetings on a no-objection basis. The Council approved policies on public involvement and additional steps for targeted research projects, provided additional guidance on monitoring and evaluation, and requested additional information on GEF principles and logical frameworks in project documents.

- **GEF-2 (1998–2002).** The procedural focus in GEF-2 was to mainstream the environment into Agencies' regular work, concurrent with internal Agency efforts to streamline internal processes and internal coordination mechanisms among the partners in the process. In 1998, the first GEF Assembly added a request to make project preparation "simpler, transparent and more nationally driven" (GEF 1998e). The first reform was the provision of CEO endorsement of the final project document while retaining Council members' right to review projects, with reporting on pipeline projects. The Council also approved steps to make the incremental cost calculation more pragmatic and transparent. From 1999 onwards, the GEF CEO spearheaded a push for programmatic approaches, defined at the GEF Council in 2001. The GEF partnership was enlarged with the addition of seven Executing Agencies under Expanded Opportunities.

- **GEF-3 (2002–06).** From 2000 onwards, the emphasis shifted to the concept of "driving for results," with the assumption that resources freed up from project preparation would be redeployed toward project implementation. The GEF Activity Cycle was revised to comprise four phases managed by the Agencies; in 2006, this was expanded to six phases plus three points (later increased to six) for GEF review. The GEF Project Management Information System was approved at the May 2000 Council meeting and deployed in mid-April 2001. Additional reviews of projects by other partners were introduced, and the approval ceilings for PDFs were revised. This period was also marked by developing variations on the types of GEF projects (creating such designations as programmatic, tranched, and small MSPs) and further clarifying the GEF criteria on incremental cost, cofinancing, and leveraging, among others.

- **GEF-4 (2006–10).** As the GEF moved into its fourth replenishment, the major reform is the establishment of a framework for allocating GEF funds to countries (the RAF), although the Activity Cycle remains in effect. The GEF Monitoring and Evaluation Policy was

approved in February 2006, and a GEF-wide results-based portfolio monitoring system is being developed. In September 2006, the GEF Secretariat issued several new requirements including submission of a project identification form to highlight key elements of a concept for the Secretariat during early stages of consideration, recall of the PDF imprest account for IAs and subsequent approval of PDF-As by the GEF Secretariat, new concept review templates for pipeline entry with additional fields, and an additional CEO endorsement template. Earlier project approvals were canceled, and a requirement was issued that all concepts in the pipeline would have to be reviewed and pipelined again. The new RAF endorsement process and the PIF have de facto overtaken the pipeline entry phase.

Legal Framework of Partner Agencies

GEF projects are subject to the legal framework of the partner Agencies. Aside from the operations manuals guiding project design and approval processes, the main policies that influence GEF projects are safeguards, disclosure, and procurement requirements. Examples of relevant Agency requirements follow.

The World Bank established a Quality Assurance and Compliance Unit in its Environmentally and Socially Sustainable Development Vice-Presidency in the late 1990s to promote consistency in treatment of safeguard policy issues across the Bank and to give advice on addressing safeguard issues in projects. Coordinators, funded with budget resources dedicated to safeguard policy activities, were appointed in each region to avoid possible conflicts of interest and ensure full compliance with safeguard policies at the regional level.[1] ADB safeguard policies include the Involuntary Resettlement Policy (1995), Indigenous Peoples Policy (1998), and Environment Policy (2002). IDB approved its Environment and Safeguards Compliance Policy in January 2006.

The international financial institutions have specific policies for procurement, such as the IDB Policies for the Procurement of Works and Goods Financed by IDB (2005). IFAD projects are reviewed against environment assessment guidelines to categorize the projects and determine if an environmental impact assessment study is needed.

Eight of 12 agencies, including the International Finance Corporation (IFC) and the GEF, have a formal public information disclosure policy. These legal requirements do not pose additional requirements for GEF projects in themselves, but the challenge remains to adapt guidelines intended for larger loans and credits to smaller grants.

Expanding Requirements

Since its inception, the legal framework of the GEF Activity Cycle and modalities has become increasingly complex in many dimensions; concurrently, no major streamlining or simplification has occurred. The evaluation's review of the legal framework and its assessment of cycle requirements found that there has been little change in the duration of review processes despite numerous attempts at streamlining and reform dating back as far as 1998. Steps and requirements have not been discontinued throughout the cycle's legal evolution, with the exception of the MSP process and expedited procedures for enabling activities. CEO endorsement of MSPs has shortened the MSP cycle; however, it remains long compared to Agency cycles for similar—and larger—projects. Interviewees in 13 out of 18 visited countries expressed discontent with the present guidelines, which they said are too IA-centered, not targeted at recipient countries, and unable to provide clear guidance for proposal preparation (see box 3.1).

Several patterns of increased complexity were observed in the analysis of the legal framework:

- **More phases, steps, and requirements.** The cycle now has additional phases as well as expected steps and requirements within each phase. The cycle has evolved from an initial three phases to four (in 2000), five (2003), and now six (2006). This expansion has mainly taken place in the early cycle stages (concept, formulation, appraisal and approval), with the two last stages of implementation and M&E remaining more or less the same. Within the phases, specific steps have been added—or new requirements imply additional efforts—including more focal point endorsements, CEO endorsement, cofinancing letters, circulation of the project document for comment by additional partners, and an M&E plan. Such steps were individually justified when introduced. As a totality, they have made the Activity Cycle more complex.
- **More modalities.** The number of modalities used by the GEF has increased. The GEF started with three categories of support: operational programs (with projects), STRMs (to be discontinued in GEF-4), and enabling activities (for which initially one cycle applied). Since 1991, the GEF has added first PDFs-A, -B, and -C (in 1995, linked to regular projects), the Small Grants Programme (SGP; in 1992, formally a regular project but with separate arrangements), MSPs (1996) in response to challenges of the regular project modality; national capacity self-assessments (NCSAs, 2001), stand-alone capacity-building and adaptation projects (not yet fully operational), and three special climate change funds. Additionally, work is under way to develop a public-private partnership fund. In many cases, different modalities are variations on regular projects, such as targeted research projects (1997); programmatic approaches (1999); small MSPs; and phased, tranched, and umbrella projects (2006). These variants are partly linked to convention guidance to the GEF as its financial mechanism, such as the new funding windows on climate change adaptation, capacity building, and least developed country (LDC) support.

Box 3.1

Stakeholder Concerns about Project Cycle Guidelines

The evaluation heard the following from stakeholders during interviews and through other feedback mechanisms.

- Countries need simplified guidelines, not the type of documents produced now, which are purely for the GEF Secretariat and IAs. Countries need a guide of 10 to 15 pages to show them how to prepare a project. For example, what should the cofinancing rate be?
- The updated project cycle document (GEF 2003c) concentrates only on the GEF Secretariat and IAs, which suggests that countries have no place in the process. The document mentions the Secretariat and IAs and a bit about the ExAs, but it is governments that must suggest and develop projects.
- Another barrier is language. If GEF documentation exists in French at all, it is mostly badly translated and difficult to understand (the PIR instructions and terminology are particularly incomprehensible to project staff). Moreover, the GEF terminology makes the English versions too complex, and guidelines are not translated at all.
- While information about the different types of modalities may be accessible through the GEF Web site, the GEF Secretariat does not undertake any measures to enhance stakeholder awareness about them. As a result, any questions about modalities and other GEF topics are often referred to UNDP.

"Perhaps the evaluators might want to print out the documentation required for a random sample of full-size GEF projects 10 years ago, and then print out the documentation for a similar sample today. My hypothesis is that if they were to weigh both sets of documentation, the ratio would be on the order of 2 or 3 to 1 today versus 10 years ago. All of this adds cost and effort without adding a corresponding likelihood of success."—Survey respondent

The GEF modalities are programmed under three variants of the cycle, for FSPs, MSPs, and enabling activities. Some modalities (such as targeted research and small MSPs) follow specific modifications to the core cycle. Other modalities (such as programmatic approaches) have been introduced with limited concessions in adapting existing procedures. In other cases, such as the Strategic Pilot on Adaptation (SPA), modalities have been introduced without clarifying on either the GEF Web site or in Council documents which cycle procedures apply. The plethora of modalities, with specific cycle requirements, contributes to perceptions of the GEF cycle as complex. (Modalities are discussed further in chapters 7 and 8.)

- **More focal areas.** Over time, new substantive dimensions of GEF work have been introduced. In October 2002, the GEF Assembly approved the addition of persistent organic pollutants (POPs) as a new focal area, based on the Stockholm Convention. In accordance with the United Nations Convention to Combat Desertification designation of the GEF as an official financial mechanism, land degradation became another new focal area. New operational programs (OPs) have been included in other areas as well, such as the 1999 addition of Promoting Environmentally Sustainable Transport (OP11) in climate change. These changes were not intended to affect the Activity Cycle. Yet, developing substantively different projects according to existing cycle procedures requires additional efforts. For example, project proponents have found the incremental cost calculation for land degradation to be more difficult than for other projects.

- **More front-loading of requirements.** There has been a trend toward front-loading GEF requirements in the cycle, which means that considerable information must be provided at the earliest stage—without replacing reviews of the same requirements later in the cycle. From the outset, GEF projects have been developed on the premise that they must incorporate the 10 GEF operational principles. The partners interviewed acknowledged that the principles should be fully addressed in the cycle. However, the front-loading of requirements has contributed to an increasing gap between the timing of GEF requirements and when the subject would normally be addressed in Agency cycles. Some examples include concept incremental cost calculation and country involvement, country endorsement at several cycle stages, analysis of sustainability factors at concept, financing plan and cost-benefit analysis at concept stage, and M&E plan with baseline at approval. Long-term programmatic approaches must have an overview of all phases before approval, cofinancing is required for PDF, and cofinancing letters are required at approval instead of addressing this in implementation. This front-loading is a source of inefficiencies and creates additional work for Agencies.

- **More reinterpretations and definitions.** Interpretation and definitions have constantly evolved or changed, including for cost effectiveness and sustainability and leveraging; additive

guidance has introduced new design elements beyond the operational principles such as logical frameworks; and formats and templates are in constant revision. Project proponents find it difficult to keep track of changes, such as different PIR contents every year, new formats for executive summaries and cover pages, and new requirements for cofinancing letters. At the same time, many Agencies have implemented shorter and more harmonized documentation for their regular projects, making for an increasing gap between GEF requirements and common practice (see box 3.2).

- **More requisite linkages and correlations.** Each GEF replenishment period is subject to its own specific policy goals, within the framework of the overarching goals of the GEF as established by the *Instrument*. For example, in the GEF-3 period, projects had to correspond to strategic priorities within each focal area, linked to targets of the third replenishment negotiations. These goals affect the cycle, both by adding steps for projects to comply with the requirements and by influencing the probability of approval or rejection of projects under preparation. The availability of overall resources in the GEF Trust Fund and fluctuations in liquidity also influence the cycle for specific projects in relevant work programs.

The conferences of the parties (COPs) to the various conventions have expressed concern about the Activity Cycle numerous times. The COP of the United Nations Framework Convention on Climate Change (UNFCCC) invited the GEF to streamline its cycle with a view to making project preparation simpler, less prescriptive, and more transparent and country driven, and to expedite disbursement of funds to projects (decisions 2/CP.4 and 6/CP.7). The COP also requested that the GEF review its cycle, in cooperation with its Implementing and Executing Agencies and national focal points, with a view to making it simpler and more efficient, taking into account lessons learned and the findings of the GEF Monitoring and Evaluation Unit (now the GEF Evaluation Office) (decision 5/CP.8). In 2006, a number of parties to the convention continued to raise concerns about the length of the GEF Activity Cycle and the long periods between project approval and funding disbursement; they issued "a renewed call for the project cycle to be timely and flexible" (UNFCCC 2006). Some of the parties highlighted that implemented projects should be tracked more closely to identify successes and failures and to facilitate decision making and appropriate response measures, and that the information flow between recipient countries and the GEF needs to be improved. The GEF Council has, in turn, requested that the Agencies simplify the cycle.

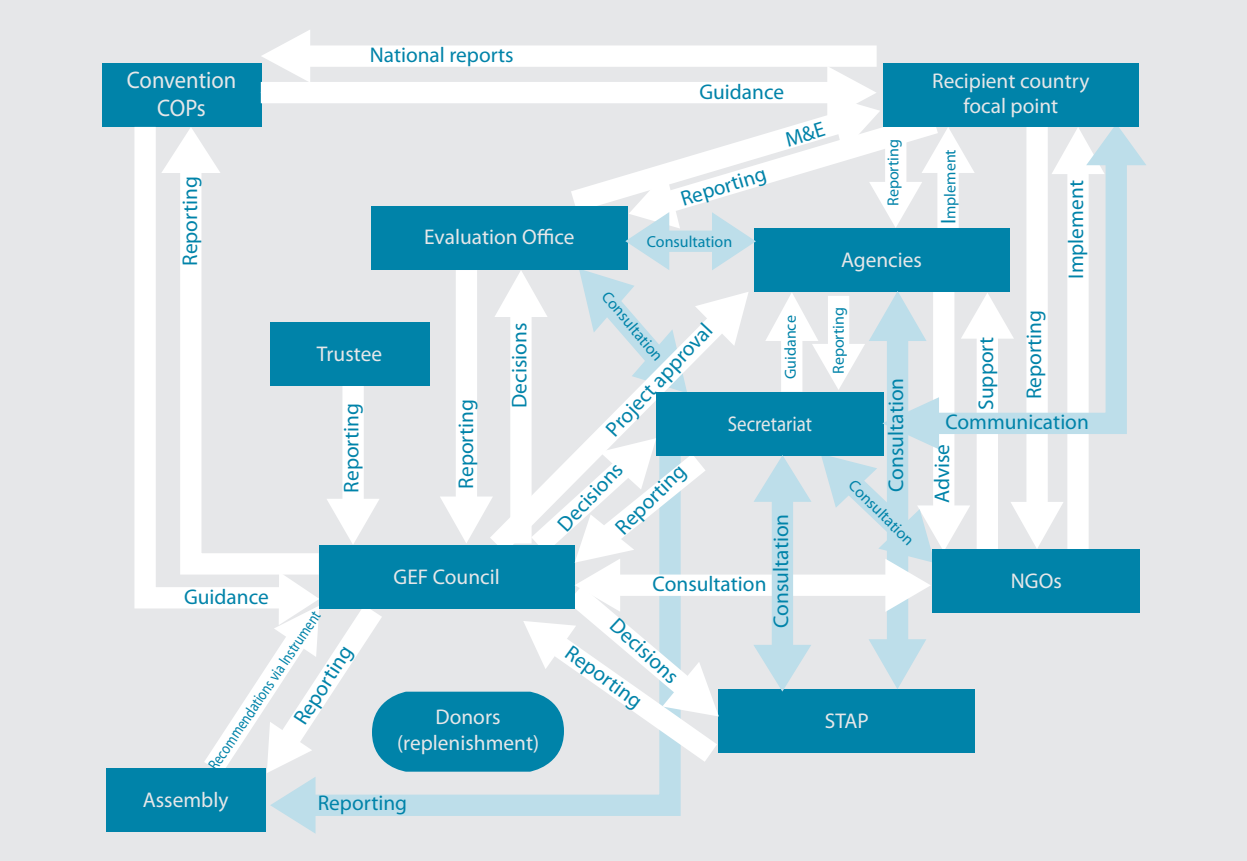
Box 3.2

GEF Terminology Often a Barrier

Agencies and recipient countries often use the term *GEF-ability* in ironically referring to the need for using the correct GEF terminology to have a proposal approved. Ensuring GEF-ability increases the cost and time of preparing and appraising proposals without resulting in increased quality. It is also frequently asserted that GEF terminology differs from that used in other Agencies. An FAO representative stated that "The GEF terminology on execution and implementation is upside down compared to its use by UN agencies and the donor community…projects are executed (managed), activities are implemented. This causes particular issues in appraisal." The issue was also brought up during the field visits. According to an interviewee from the Philippines, "There is room for simplifying GEF language or harmonizing these terminologies with those of the IAs and government in order to democratize concept development and project preparation outside a few consultants who know the GEF buzzwords, thereby really ensuring stakeholder commitment."

Figure 3.3

The GEF governance and reporting structure



Source: Adapted from GEF (2005e).

Roles and Responsibilities in the GEF Partnership

One challenge to the Activity Cycle is the fact that the GEF consists of a number of partners playing a variety of roles. Figure 3.3 illustrates the GEF's institutional complexity, which has evolved since the pilot phase into a network of very diverse stakeholders. While the Activity Cycle is only one of the functions of this network—and therefore not all aspects of the graphic are directly relevant here—it is a useful reminder that the cycle serves as the financing and implementation mechanism of the conventions and thereby fulfills a larger purpose. For this reason, project decisions (whether individually or cumulatively) are of interest to a broad range of stakeholders with very different institutional, technical, and operational perspectives. The search for greater efficiency in the project review and approval process thus needs to be balanced with the operational principles of country ownership, disclosure, and public involvement in GEF activities. Inclusion of these principles may translate into the need for more time for discussion and consensus building among a larger set of stakeholders than would be needed if the project were purely an internal product of the Agency involved.

A significant omission from the GEF Activity Cycle as it is usually presented relates to the internal procedures of the *recipient country*; these will

become increasingly important with the introduction of the RAF. As countries take on a more direct role in the setting of operational priorities for the national work program, more decision points and processing windows will come into play, further complicating the task of synchronizing the various partners' components of the GEF cycle. Some observers believe that pipeline entry without endorsement from the national GEF focal point may have permitted some concepts to enter the pipeline prematurely, meaning that subsequent preparation stages could be encumbered by basic project identification work, thereby lengthening the time needed to reach project approval. Another stakeholder group that influences the cycle is the GEF *donor countries*, which carry out direct discussions with the GEF Secretariat on issues such as replenishment outside of the framework of the Council. Figure 3.3 takes both recipient and donor countries into account.

Box 3.3 presents the main actors in the cycle and their respective roles as described in the GEF project cycle document (GEF 2003c). This information is useful in understanding the later discussions in this report on processing steps and procedures. Originally, the GEF was established "on the basis of collaboration and partnership among the Implementing Agencies" (GEF 2004i, paragraph 2). In addition to the original GEF entities—the IAs, the Council, the GEF Secretariat, the Trustee, and later the STAP—more players have been added to the partnership.

- A 1999 Council decision provided expanded opportunities to seven *Executing Agencies* to undertake GEF projects.
- The 1996 GEF policy on public involvement in GEF projects envisaged greater engagement by the *NGO community*, an ambition also reflected in the MSP guidelines (1996). However, the 2005 evaluation of the NGO network concluded that "The GEF's long acclaimed unique model of engaging NGOs in both its decision-making body 'down' through its on-the-ground project activities is ineffective" (GEF 2005i).
- Since before 1999, the GEF has tried to develop more effective approaches for engaging the *private sector* in its projects. The draft private sector strategy presented to the Council in June 2006 pointed out that "The challenge in involving the private sector in projects consistent with the GEF project cycle and operational procedures is fundamental" (GEF 2006c).
- The *conventions* also provide guidance for the GEF to operationalize through its project cycle.

"It is difficult for government and project staff to differentiate between IA (intermediary) and GEF procedures."—Interviewee in Tunisia

The Activity Cycle must take account of the fact that the GEF provides different incentives to different Agencies. Some Agencies work on GEF projects through a separate channel, and rely on the GEF fees and funding to finance this process. Other Agencies, with substantial lending and technical assistance capacity of their own, have mainstreamed GEF cofinancing as part of their normal operations. They frequently proceed with the base project regardless of GEF funding, but they may use the GEF funds to add project elements consistent with generating incremental global benefits while reducing the overall cost of the project to the client.

The GEF Activity Cycle has been affected by the changing roles and responsibilities of the GEF family members. In itself, the inclusion of more partners does not change the Activity Cycle or

Box 3.3

GEF Players and Their Roles

- **Recipient countries.** Appoint operational focal points, identify project concepts that meet national priorities, endorse requests for projects and project preparation grants, help estimate incremental cost, organize country dialogue
- **GEF Council.** Approves GEF policies and procedures and the work programs
- **GEF CEO.** Approves PDF-B and PDF-C grants, medium-size projects, and enabling activities under expedited procedures; determines content of work programs submitted for Council approval; endorses full-size projects for final approval by Agencies' internal boards; leads GEF Secretariat
- **GEF Secretariat.** Organizes Council meetings; manages project review process up to CEO approval, including arranging bilateral review meetings with Agencies; advises on GEF policy regarding proposals at the time of pipeline entry, work program inclusion or CEO approval, endorsement, and completion; chairs GEF Operations Committee; maintains project tracking system; organizes annual program performance review; facilitates partnership with recipient countries and among Agencies
- **Implementing Agencies (UNDP, UNEP, World Bank).** Assist countries with concept identification; actively expand opportunities for ExAs in GEF work; manage project preparation; approve project documents according to internal procedures; report progress quarterly; supervise, monitor, and report on project implementation, including project implementation reviews
- **Executing Agencies under Expanded Opportunities (ADB, AfDB, EBRD, FAO, IDB, IFAD, UNIDO).** Assist countries in identifying concepts and managing preparation of projects; share implementation responsibilities with IAs for selected projects
- **Scientific and Technical Advisory Panel.** Maintains a roster of experts who can provide reviews of scientific and technical aspects of project proposals; selectively reviews projects from a scientific/technical point of view; participates in project reviews (through STAP chairman)

Source: GEF (2003c), annex A.

modalities, but it has added complexity and transaction costs at several levels, especially by adding bureaucratic layers, duplication, and new review procedures, while leaving gaps in strategy and policy development, portfolio monitoring, and program results verification.

Within the GEF family, roles and responsibilities have evolved over time; focal points must now take on pipeline planning; the GEF Secretariat has assumed portfolio monitoring responsibilities, the GEF Evaluation Office became an independent entity in 2003; and the STAP is reforming itself to increase its relevance to project quality. A change for the IAs has been the blurring of their originally assigned roles—the World Bank for investment, UNDP for capacity building, and UNEP for scientific and technical projects—as projects have increasingly featured integrated approaches; this shift has affected the ExAs as well. This has led to assessment of GEF partners on a case-by-case basis depending on the specific project proposal's structural and procedural conditions (such as the Agency's mainstream programs, staff skills, scope and size of country assistance programs, sector strategies, and cofinancing), thereby placing an additional burden on the Activity Cycle for affected projects. The evolving roles and number of partners make it more challenging to bring to bear the relative advantages of the different parts of the GEF system, and the Council asked for a policy paper to clarify the roles and comparative advantages of the IAs and ExAs for its December 2006 meeting (GEF 2006a).

The seven ExAs have experienced shifting parameters more than most partners; this reflects changes in their access to GEF resources as well as modifications to the Activity Cycle. Direct access to GEF resources was granted in stages and at a different pace for each Agency. At first (1995), ExAs were expected to work with an IA on a project-by-project basis without an established framework. In 1999, the regional development banks were given direct access to PDF-B grants and determination of project eligibility by the GEF Secretariat, without the need of going through the IAs; IAs were still fully accountable for the implementation of ExA projects. In 2002, ADB and IDB were given access to PDF-A, PDF-B, FSP, and MSP funding as a result of the policy recommendations of the third replenishment. The remaining five ExAs were not granted direct access until late 2003. The GEF and the ExAs began to sign memorandums of understanding and financial procedures agreements in June 2004, but as of August 2006, EBRD was still in negotiation with the GEF. Ultimately, it took over three years for the expanded opportunities initiative to be implemented; consequently, ExA participation accounts for only 8 percent of GEF-3 funding as of this writing.[2] The ExA learning curve throughout this period has affected their performance in the Activity Cycle. While their engagement in broader strategic and policy development functions has recently improved, challenges remain regarding the flow of information within the GEF family, transparency in corporate and focal area task force decision making, and equitable distribution of support resources.

The number and functional variety of partners involved makes transparent and participatory decision making challenging, and the GEF mechanisms for developing strategies and operationalizing Council policies have not caught up with the changing context. Many partners, including the governments, ExAs, and NGOs, have not been effectively integrated into GEF project and policy work, owing to the tradition of bilateral discussions between the GEF Secretariat and the IAs. It seems likely that different institutional interests will be affected by the shift envisioned under the RAF, when national partners assume new responsibilities for greater ownership and participation. All partners must be empowered to fulfill their roles in an environment of trust, transparency, and accountability.

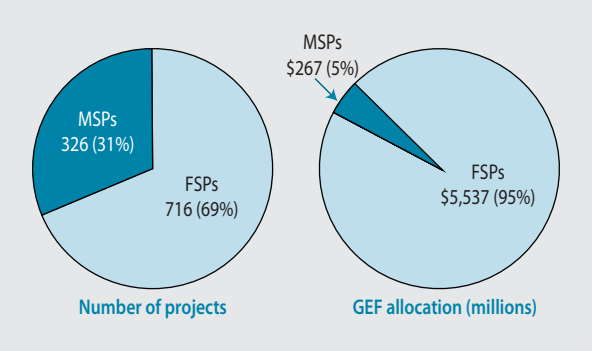
3.3 Portfolio Overview

In all, the GEF Activity Cycle has processed 1,926 projects and proposals, of which 1,292 are FSPs and 632 are MSPs (the remaining 2 are canceled projects unclassified in the PMIS). Approved projects represent 55 percent of the FSPs (716) and 52 percent of the MSPs (326); the remainder are project proposals either under development or proposals that were rejected before approval. Figure 3.4 shows all approved projects, and highlights the fact that FSPs represent 95 percent of total GEF project allocations (including respective PDFs).

The average total GEF allocation for an FSP, without cofinancing, across GEF replenishment periods is $7.9 million.[3] It is $8 million for 253 GEF-3 projects as compared to $7.8 million for 454 pre-

Figure 3.4

Approved GEF portfolio (FSPs and MSPs)



GEF-3 projects. For earlier replenishment periods, the average project allocation is varied: $6.5 million in the pilot phase, $8.6 million in GEF-1, and about $7.9 million in GEF-2. For MSPs, the average total allocation across replenishment periods is $0.82 million, and $0.89 million for 150 GEF-3 projects. Given that FSPs have no ceiling, their allocations are highly dispersed (for FSPs, the coefficient of variation is 0.95, compared to 0.23 for MSPs). A total of 122 FSPs have total GEF allocations of at least $11 million, 34 of which have GEF allocations of $25 million or more.[4]

By *Agency*, the World Bank accounts for the largest share of the GEF's approved FSP-MSP portfolio (49 percent, $2.85 billion), followed by UNDP (30 percent, $1.7 billion). The World Bank implements the majority of the GEF's FSPs (288 projects, or 41 percent of all FSPs), and UNDP the majority of MSPs (126, or 39 percent).

Across the six *focal areas*, biodiversity accounts for 36 percent of the total GEF allocations for approved projects, followed by climate change (32 percent). Biodiversity accounts for the majority of both medium- and full-size projects (57 and 40 percent, respectively), followed by climate change (21 and 33 percent, respectively).

Across geographic *regions*, Asia accounts for one-fourth ($1.46 billion) of total GEF allocations, followed by Africa (23 percent, $1.37 billion) and Latin America and the Caribbean ($22 percent, $1.3 billion). The majority of both FSPs and MSPs are located in Africa (25 and 23 percent, respectively).

The current status of the FSP-MSP portfolio projects is presented in table 3.1. Since 1990 and including the pilot phase, 299 such projects have been completed (16 percent of all project proposals).[5] Currently, 362 projects are under implementation, and 446 proposals are under development; these latter account for 26 percent of all processed proposals and projects. A total of 19 percent of all projects (327) still in the cycle are under various approval stages—by Council, by Agency, or CEO endorsement—and 135 proposals and projects (8 percent) have been canceled or dropped after being processed.

A total of 79 FSP proposals have been dropped after pipeline entry, and 56 FSPs and MSPs have been canceled after approval. Fifty percent of the 135 dropped or canceled projects were World Bank implemented; 30 percent were implemented by UNDP. The majority of these projects and proposals are in the climate change focal area

Table 3.1

Portfolio status of FSPs and MSPs

	FSPs		MSPs		Total	
Status	Number	Percent	Number	Percent	Number	Percent
Proposal under formulation	291	24	155	29	446	26
Project approved, not started	221	18	106	20	327	19
Project under implementation	235	20	127	24	362	21
Project closed	210	18	89	17	299	17
Proposal aborted (not pipelined)	109	9	48	9	157	9
Proposal/project dropped or canceled	129	11	4	1	135	8
Total	**1,195**	**100**	**529**	**100**	**1,726**	**100**

Note: Excludes 200 proposals stalled before pipeline entry.

(58 percent of dropped and canceled), as compared to 48 percent in biodiversity. Dropped proposals constitute about $16 million in GEF allocations for PDFs; it is unclear how much was spent by canceled projects of the $371 million allocated by CEO endorsement.

The GEF also has processed 869 enabling activities, of which 94 percent are approved.

PDFs have grown in importance in the GEF portfolio over the years; for 360 PDFs under implementation, allocations of $73 million have been made, and resources worth almost $137 million have been allocated for PDFs that are currently approved.

3.4 Lessons Learned from Past Studies

Based on previous evaluations and the experience of past revisions of the Activity Cycle, any further streamlining initiatives must be backed by strong management support within the GEF and the Agencies. A review of the body of evidence from GEF evaluations and their follow-ups identified key findings and recommendations that have been made on recurring issues over a period of many years, with little evident progress toward improvement. This suggests that the potential time savings to be gained by refining current procedures have limited prospects for delivering significant improvements without more fundamental changes in the way that GEF does business to increase transparency and predictability and decrease transaction costs.

Project Development Remains Slow and Complex

One of the most common findings on the design of GEF projects is that they are overly complex and too ambitious, in spite of the close attention paid to the formulation phase. Another frequent finding is that the rigor and requirements of the project development process result in extended project pre-implementation time frames, which cause diminishing returns in project results. The lack of external transparency in the back-and-forth process of project design and revision, and the inability to predict eventual project approval, has often been highlighted as detrimental to successful project start-up and implementation. Numerous GEF evaluations have identified as a primary concern the lengthy amount of time required for a GEF project to reach the final stage of approval and to begin implementation. These challenges remain relevant and were again raised in the 2005 OPS3 and the 2005 APR. Some areas identified in evaluations have seen improvement over time: project and portfolio M&E practice has benefited from increased attention in recent years, and the SGP has worked to address recommendations and is well received by national-level stakeholders. Additional issues common to many GEF evaluations are explored further in Technical Paper 1, "Review of Evaluative Evidence: Meta-Summary."

Reforms Are Overly Ambitious, Oversold, and Make for More Work

The analysis shows that virtually none of the attempts to reform and simplify GEF procedures have made a notable difference in expediting the Activity Cycle. Many reforms of the GEF Activity Cycle have been disappointing, such as the 2000 and 2003 initiatives (GEF 2000e and 2003c).

Overreaching has been one cause of reform failure. An example of an overly optimistic reform effort can be seen in several aspects of the 1998 initiative to streamline the project cycle (GEF 1998h). First, the introduction of the intersessional work program mechanism led to high hopes in several areas, with the claim that this has

> not only streamlined the project cycle by facilitating timely entry of projects into the work program, but has also promoted better quality in preparation of proposals by easing the bunching of projects and reducing the "now or never" pressures on the GEF Secretariat and the Implementing Agencies which existed when work programs were only approved every six months (GEF 1998h, p. 2).

Second, this initiative included additional adjustments in the procedures for processing MSPs, beyond earlier changes that were claimed to have already "significantly reduced the time from concept to final approval."[6] Third, a set of "effective, time-bound systems for consultation and coordination" was expected to bring new efficiency to the project development and review process. Fourth, an information kit clarifying incremental cost concepts and tools was to be disseminated to country stakeholders, to simplify and standardize the GEF's approach to incremental costs, and reduce delays and concerns associated with this concept. Finally, the logframe methodology was to be promoted "as a means to streamline GEF project cycle management, since its full value may best be realized where it is applied systematically as a design, management and evaluation tool" (GEF 1998h).

UNDP's strong support for logframe training for decentralized staff was expected to be a significant effort, and the World Bank's new "project processing systems" were described as an innovations with significant potential to streamline project processing;[7] as were the new learning and innovation loans which were intended to greatly simplify smaller projects (those less than $5 million) and be oriented toward pilot tests and applied research.

With the benefit of hindsight, it is clear that many of these expectations and claims were overly optimistic, and were not based on a full appreciation of the underlying problems or underlying institutional incentives. For example, MSPs remain disproportionately complex and slow to bring to approval despite the reform efforts. As noted by the recent World Bank stocktaking of MSPs, "There is a commonly held view that the GEF over the years has demanded more and more technical information and analysis in order to provide an MSP approval, thereby adding an additional disincentive" (World Bank 2005k). And while there has been much discussion, in Council and elsewhere, of applying strict time limits and giving more attention to coordination, it is not clear that this has resulted in a faster or more efficient cycle as demonstrated by the time lapse data produced for the present evaluation. Finally, incremental cost concepts and criteria remain mysterious to many stakeholders. The preponderance of evidence points to underlying institutional incentive issues and behaviors which have been resistant to change.

The overestimation of intended improvements may in part be explained by a "spin doctor" effect: GEF streamlining initiatives have been presented as more positive than they are in reality. Streamlining is generally defined as rationalization or modernization and making something more efficient or simple. In the GEF, streamlining has consistently involved *additional* requirements. Many examples of such "spin doctoring" can be found in Council documents:

- The Council "supported the proposal that the Secretariat and the Implementing Agencies should develop a standard project format, based on the logical project framework, so as to *streamline* project documentation" (GEF Council 1997, 2001a, 2001b)—this may have harmonized presentation to the Council, but added work for Agency stakeholders instead of allowing them to use their own formats.
- In September 1998, "Further efforts are being made to promote the logframe methodology

as a means to *streamline* GEF project cycle management" (GEF 1998h)—a logframe may or may not help management, but in itself is an additional design requirement.

- In 2000, "To further *streamline* this process, it is proposed that endorsement be *streamlined* as follows:…(b) The Secretariat may also request the Implementing Agency to seek a second endorsement prior to inclusion of the project proposal in the work program" (GEF 2000b)—this again would *add* new approval steps to the process.
- In October 2000, "recognizing the need to *streamline* as much as possible, the Secretariat does not prescribe any particular format for the Concept Document" (GEF 2000e)—in fact, there is a prescribed format of a maximum of 15 pages, and the same decision added steps for the Agencies to circulate concepts for appraisal.

Poor Access to Information and Lack of Transparency Are Pervasive

Poor access to information and lack of transparency have been mentioned frequently as weaknesses in GEF operations, especially with regard to clarity in roles, status of projects, and clear guidelines and criteria for project development. Periodic clarifications and updates to the Council on roles and procedures have not appeared to resolve the uncertainty among stakeholders of what is current policy. As reported in the latest UNFCCC report on the GEF financial mechanism, "The GEF is currently finalizing an operations manual to provide Parties with basic information about the mission of the GEF and its policies and procedures" (UNFCCC 2006). However, although this manual is an excellent electronic compilation of formats and procedures on GEF project management, the GEF Secretariat does not intend to circulate it beyond its own staff.

The evaluation found that disclosure of information and transparency in the GEF have been uneven both to management and to stakeholders. The GEF information management systems have not reliably generated information on project status and elapsed time, and reporting on this subject has not been systematic or fully transparent. It has been difficult for stakeholders to do anything but complain about the complexity in an uninformed way, and impossible to ascertain accountability for delays and negative effects. There are significant opportunities to expedite the Activity Cycle by sharing information on projects under preparation in a more consistent and timely way, yet there is no certainty that this is in the process of being adequately addressed. (See box 3.4 for examples of lack of transparency.)

Based on the 2004 APR and the Costa Rica Country Portfolio Evaluation, the Council reiterated in June 2006 its decision of the previous year that the transparency of the GEF project approval process be increased and requested the GEF Secretariat to reinforce its efforts to improve this transparency. The Secretariat was also asked to take steps to improve GEF information mechanisms so essential operational information can be made available at the national level. These recommendations remain urgent. In summary, the main areas where transparency is lacking include (1) key GEF policies, strategies, and criteria of programming; and (2) project management tracking of project progress and status. Transparency on operational policies is also lacking, especially with regard to GEF eligibility and procedures.

3.5 Future Trends and Issues

Simplification, harmonization, and streamlining of procedures and systems have long been priorities of the development community and partner countries: more efficient delivery of projects is a

Box 3.4

Lack of Transparency at the GEF

The lack of transparency in the GEF system was mentioned in all field visits and was among the five most cited weaknesses of the GEF cycle by survey respondents. This lack of transparency is discernible at both the institutional and project levels. At the institutional level, some issues mentioned were arbitrariness in GEF Secretariat reviews, nonparticipation of ExAs in decision-making processes, the preparation of the RAF without further national participation, and nonexistence of a system that allows proposals to be tracked along the cycle. Project-level issues included lack of clear criteria for project approval and established priorities and lack of clear guidelines for project preparation.

Among survey respondents, the issue of transparency in the GEF Secretariat review of proposals was raised frequently. Some respondents see the process as "arbitrary, with individual staff introducing arbitrary requirements based on their own personal viewpoints" and fraught with "ambiguity and inconsistency." An Egyptian said that, "there is no transparency as to why projects are rejected. There is no transparency and therefore no credibility in GEF procedures. What are the factors that lead to the decision on a project proposal? This issue jeopardizes the relationship between UNDP-GEF and the Egyptian government."

National focal points and executing agencies have expressed concern that it is not possible to track what is happening to a given proposal. According to an interviewee from ADB, the Agency "is having difficulty confirming at what stage in the GEF cycle the proposal is. The proposal has not been approved for pipeline entry but is said to be 'technically cleared.' Is there a way of knowing with more certainty whether a certain concept is going to be subjected to a fair and reasonable approval process for pipeline entry?"

Country ownership and trust in the GEF system are eroded by the lack of transparency at the project level. According to a Mexican interviewee, "It seems that GEF projects can only be written by gurus, and proposals have to go back and forth to get the right words. There is a need for clearer guidelines on what should be in a proposal including what type of indicators." Regarding GEF guidelines for proposal preparation, an interviewee from Laos noted that "GEF guidance must be made clear so that there are no hidden messages or cryptic principles that require specialist knowledge for interpretation of eligibility, priorities, and so on."

major part of these reforms.[8] Additional detail is provided in Technical Paper 1, "Review of Evaluative Evidence: Meta-Summary."

Main Themes in Donor Reform Initiatives

The most recent developments in aid simplification and harmonization emerge from a series of international consultations on aid effectiveness that began with the UN-led Monterrey Consensus in 2002. The main thrust of these consultations has been on a country-based approach emphasizing country ownership, government leadership, and the engagement of civil society, including the private sector. Donors and partner countries committed to an ambitious program of action in five broad areas:

- Aligning development assistance on partner countries' national development strategies, priorities, and systems
- Streamlining and harmonizing donor policies, practices, and procedures
- Implementing good practice principles in development assistance delivery
- Increasing the flexibility of country-based staff to manage country programs
- Developing incentives within donor agencies to foster management and staff recognition of the benefits of harmonization.

The Marrakech Memorandum of February 2004 complemented the Rome Declaration of the pre-

vious year on alignment of development assistance with partner country strategies, by putting results at the center of the development community's work, including in the areas of harmonization and alignment. The Paris Declaration for Aid Effectiveness of the following year took this process further by specifying some 50 commitments to improve the quality of aid. Participants agreed to set targets for 2010 for 12 quantitative indicators, involving action by donors and partner countries, to help track and encourage progress in implementing the commitments. Specific targets for the environment relate to emerging global issues in climate change, desertification, and loss of biodiversity.

The GEF and Reform

The GEF holds a unique position among its partners since it is specialized in environmental cooperation and does not have its own in-house project implementation capacity. Thus, all of the ongoing trends in development cooperation may not be of the same importance to the GEF as they are to its partner Agencies. Furthermore, there may be trends and developments in the private sector, and in the broad field of environmental cooperation, that might be of relevance to the GEF.

The move toward improved effectiveness of international cooperation is relevant to the GEF in two different ways: (1) *directly*, by providing the opportunity to harmonize or simplify stages of the GEF Activity Cycle (appraisal and approval, evaluation) or foundations of the cycle (guidelines, policies, programming), and (2) *indirectly*, by ensuring that the GEF partner Agencies are supported in applying effective and efficient processes in their simplification efforts. Three trends are of particular pertinence to the GEF, as described below.

The GEF has taken advantage of the international move toward results-based management in several ways. The introduction of the Resource Allocation Framework reflects the general trend toward results and performance-based allocation systems among donors and multilateral development banks. One of the policy recommendations agreed to in 2002 as part of the third replenishment of the GEF Trust Fund (FY 2003–06) was the development of a system to allocate scarce resources within and among focal areas, as well as among countries based on performance. The result was the GEF RAF, approved by the GEF Council in September 2005. The RAF comprises two pillars: the first reflects a given country's potential to generate global environmental benefits within a given focal area, while the second represents a country's demonstrated record of performance with respect to policies and the enabling environment to implement GEF projects successfully (GEF 2005d). Countries will either receive individual allocations or allocations for groups of countries. The allocations are indicative and not considered entitlements; countries would still need to present project proposals that meet existing GEF processing standards and technical review criteria (GEF 2006b).

Important progress has also been made toward harmonization of the evaluation function. The United Nations Evaluation Group has produced norms and standards for evaluation in the UN system. The MDBs' Evaluation Cooperation Group has elaborated good practice standards, and the DAC Evaluation Network is measuring progress on the Paris Declaration. The trend toward RBM has increased the importance of monitoring and evaluation, consequently revealing the deficiencies and problem areas in this field in many agencies. This has led to efforts in several agencies to improve the effectiveness of monitoring and ensure the proper use of evaluation findings for learning and management purposes. The reorganization of M&E functions in the GEF

has been in line with the need for more relevant results-oriented information to support management decisions. The new GEF M&E Policy (2006) is harmonized with interagency standards and international good practices, and provides for systematic conduct and assessment of project evaluations, as well as other evaluations on results and coverage of M&E quality, project-at-risk systems, and quality at entry.

The international community has also made progress in the application of RBM at the *project* level and in harmonizing RBM systems at the agency level (mainly MDBs) as well as at the country level (mainly UN agencies). As already recommended by OPS2, the GEF should pursue a shift in emphasis from an "approval culture" to a culture of "quality and results," with a corresponding deployment of resources in the Activity Cycle toward the project implementation phase (GEF 2002g). While the GEF has started taking note of the work done by the OECD DAC Joint Venture on Managing for Development Results, overall, it has not been sufficiently involved in the RBM work of partner Agencies. No links have been established to the RBM-related harmonization efforts taking place among banks (for example, the Common Performance Assessment System) and UN agencies (for example, the results-oriented joint programming process at the country level or the United Nations Development Assistance Framework). The IFAD Board recently approved a results-based country strategic opportunities paper, which recognizes the need for greater attention to the social and environmental dimensions at all stages of the project cycle.

Given the partnership nature of the GEF, such cooperation would appear to be indispensable to achieving common definitions or systems of results across projects. In June 2006, the Council requested the GEF Secretariat develop a comprehensive RBM framework for the GEF to be implemented in GEF-4, for review at its meeting in December 2006. The potential implications for cycle efficiency and effectiveness would depend on the use of existing processes and in bringing Agencies' systems together, rather than prescribing an additional GEF system. Results-based management is dependent on strong partnering around results and on harmonization efforts to maximize the impact of assistance.

"People in the GEF and IAs say different things, leading to misunderstandings and lost time."
—Interviewee in Mexico

Enhancing the outcome orientation of partner Agencies' monitoring systems—including the use of computer-based monitoring systems and indicators—could result in increased effectiveness of RBM systems. On a substantive level, the discussions on knowledge management in the GEF have not as yet developed into an operational strategy for systematic and corporate knowledge sharing, although many of the Agencies are active in this area. Given the increased need for timely monitoring information to feed into these systems, the use of electronic tools for online monitoring and aggregation is likely to become an important area of work in the near future. Several GEF partner Agencies have developed integrated monitoring tools in this regard that might influence the development of the new GEF management information system for which funds were approved at the November 2005 Council meeting.[9] Other state-of-the-art solutions used in the international community could be relevant to the GEF and help streamline the Activity Cycle, including information technology systems such as PRINCE2 and tools from the Project Management Institute. PRINCE2, or Projects in Controlled Environ-

ments, is a method of managing projects that provides guidance on how to set up, plan, control, and deliver projects on time, on budget, and to the right quality; the Project Management Institute focuses primarily on the tools and techniques of best practice project management (PMI 2000). From the cycle perspective, a new data system can be simple; but it needs discipline and consistency with established business practice. In particular, the ability to track the exact progress of a project through the cycle is vital. It is time that the GEF take full advantage of modern communication opportunities to become more service-oriented to stakeholders by providing accessible information regarding its policies and procedures on the GEF Web site. Annex A provides more information on data management problems in the GEF.

The GEF has not adequately seized on opportunities for increasing decentralization and using country systems.[10] Linked to its focus on results and cost effectiveness, the international development community has increasingly shifted its activities closer to the levels where impact is generated. The UN system organizations, and many bilateral donors and MDBs, are increasingly transferring more resources and authority to regional and subregional levels. All UN partner Agencies of the GEF, with the exception of IFAD, maintain a network of regional offices to provide country offices with technical and/or administrative support, thus establishing a bridge between headquarters and field operations. MDBs also have regional offices. There is no evidence showing involvement of the GEF with the far-reaching joint programming activities of the UN agencies at the country level. This is not to imply that the GEF should establish local offices; rather, the ongoing developments by partner Agencies to strengthen and harmonize their field presence represent an opportunity for the GEF to cooperate in order to support RAF monitoring and provide support to governments in strategy building and programming.

The Executive Committee agencies of the United Nations Development Group (UNDP, United Nations Children's Fund, United Nations Population Fund, World Food Program) have made considerable progress in delegation of authority from headquarters to the field, and other Agencies have decentralized other project development functions. For example, UNDP has long decentralized approval of its regular projects, based on appraisal committees with technical experts and donor representation, without loss of quality. The centralized approval systems of GEF projects have not allowed it to make the most of comparative advantages of Agencies' systems, such as faster project start-up periods.

The use of country systems is increasingly seen as an essential means of bringing down high transaction costs and has given rise to new, innovative modalities (see section 8.3). The use of country systems is generally more advanced in the MDBs, especially in the fields of financial management, procurement, and environmental and social safeguards. The latter is of highest relevance to the GEF at the project and Agency levels. Harmonization of project environmental assessments may not only save time and money and promote a common understanding of challenges, but a closer involvement of the GEF in the assessment of

> **"Programmatic approach to country-based projects should be introduced. For example, where possible, a country should be able to present one country project/program (full size) that encompass responding to country priorities in one or more focal area. This has not been tested in the GEF yet."—Survey respondent**

country safeguard systems could complement the introduction of the RAF measurement systems. A more proactive participation in MDB efforts to harmonize environmental and social safeguards could strengthen the GEF's thematic leadership in the environmental field and benefit GEF projects with regard to their social impact.

The GEF has made no notable efforts to benefit from Agency harmonization and simplification or facilitate Agencies' application of simplification to GEF projects. Efforts for simplification among the Agencies have been diverse and depend on their institutional setting and needs. Several Agencies have introduced time frames for reducing approval times and disbursement steps of their project cycles; others have put a limit on the size of project-related documentation. Some Agencies have introduced fast-track approval procedures for simple or less risky projects. Achievements range from more flexible requirements for project design to streamlined financial management and audit procedures. Some interesting initiatives can be found outside the GEF network, such as the alternative approval process of the UN's International Telecommunication Union that applies fast-track procedures to the approval of less complex standards, or the procedures for adaptive management of project implementation as introduced recently by the German Gesellschaft fuer Technische Zusammenarbeit (GTZ) No evidence was found on simplification in the GEF in these areas.

"Simplification is now a matter of survival for aid Agencies."—Agency staff

Harmonization and simplification are closely interlinked. A case in point is the UN agencies' work toward a simplified tool for joint programming activities at the country level. Procedural harmonization within a network of partner agencies is increasingly likely to become a prerequisite for simplification to ensure that changes are mutually supportive. Simplification of GEF procedures relies to a large extent on the progress made in harmonizing partner Agencies' systems. Thus, involvement of the GEF in harmonization efforts of partner Agencies could facilitate the streamlining of the GEF cycle and enhance harmonization in the programming of environmental activities.

Conclusions

The findings of the review of initiatives suggest that the GEF has not applied lessons learned from its executing and partner Agencies about trends and practices in development cooperation and has, in fact, been isolated from these events and trends. While the experience of the IAs and MDBs fed into the recommendations of GEF task forces to some degree, there is no evidence that the interagency coordination efforts of the GEF draw upon the experience of the specialized ExAs in terms of simplification and harmonization.

The gap in good practice in aid management between similar donors and the GEF appears to be growing rather than diminishing, despite the relevance of many past and ongoing initiatives to enhance development effectiveness over the last few years. The relevance of these initiatives to the GEF takes three different forms:

- **Mainstreaming Agencies' simplification into the GEF Activity Cycle.** The GEF should ensure that Agencies' simplification of processes and decentralization efforts are facilitated and supported for the GEF Activity Cycle as well. This suggests closer observation of these trends by the GEF, for example through participation in the relevant working groups and task forces

or through agreements for mutual information exchange on organizational matters, with active follow-up on procedural changes. The evaluation has identified progress in the simplification of Agency systems for operations and has determined that the Agencies have policies or requirements compatible with the main GEF operational principles. There is significant scope to use "certified" Agency systems for operations and design that would enhance efficiency and effectiveness.

- **Simplifying tasks or roles within the GEF purview for initiatives directly relevant to the GEF Secretariat.** The arrangement of the UN system for a common country presence and the internal harmonization effort among all UN agencies at the country level could be a good basis for the GEF to make use of its partners' efforts for RAF implementation. The GEF interagency Task Force for Operations has analyzed options for the streamlining of GEF operations, but halted its work pending the approval of the RAF. The aim should be to improve predictability, focus on program-level outcomes and results, and decrease transaction costs. After introduction of the RAF, harmonization of the evaluation function, and the introduction of results indicators and portfolio monitoring, the GEF is well positioned to move to the next level of RBM and thereby streamline the cycle.

- **Participating in international environmental analysis initiatives.** Such initiatives include harmonization and strengthening of country system use in the field of environmental and social safeguards and the ongoing discussion on RBM aggregation techniques for environmental results and impacts. As a thematic leader in the field of international environmental cooperation, the GEF could play a role as a facilitator or at least a proactive partner within the network of partner Agencies.

Involvement of the GEF in the various international working groups, such as the OECD DAC Working Party on Aid Effectiveness and the MDB Working Group on Environment, could provide insights for the GEF with respect to the harmonization of donor practices—and potentially improve GEF cofinancing strategies. Such involvement would also ensure that the GEF stays abreast of important developments that can affect project performance. The GEF needs sufficient flexibility to address the changed context of international cooperation and to support global environmental benefits in a dynamic manner.

The excessive length of the GEF Activity Cycle has left all stakeholders frustrated, while eroding the GEF's credibility as an attractive partner to work with in supporting the global environment. Moreover, some partners believe this situation is deteriorating and are disappointed that attempts at remedies have failed in the past. The cycle management of the GEF is lagging behind international good practice, and ultimately impedes the achievement of impact since it is taking too long to make projects operational on the ground. In an increasingly competitive environment for resources, public sector agencies need to clearly demonstrate important development results with positive effects to decision makers and beneficiaries.

Before presenting the substance of the findings on the cycle and modalities, it is noted that this evaluation will not identify one primary cause or party responsible for the underperformance of the Activity Cycle. The underperformance turned out to be caused by a multifaceted set of issues, linked to a complex series of events and involving many, if not all, of the actors in the GEF. There is no scapegoat and no quick fix.

4. Effectiveness of the GEF Activity Cycle: What Does It Produce?

This chapter presents key findings on the effectiveness of the GEF Activity Cycle. In aid management terms, *effectiveness* is defined as the extent to which an objective has been achieved or how likely it is to be achieved (OECD DAC 2002 and GEF EO 2006c). The information in this chapter, like that in chapters 5 and 6, focuses on full-size projects, since these account for the largest share of GEF financing and the major share of cycle delays. Where relevant, variations related to MSPs are mentioned.

The findings on the cycle are strongly interlinked. There are many interdependent factors that together shape the cycle, so the precise cause and effect of delays and productivity are uncertain. If the cycle is not effective in producing new projects, it is by definition inefficient for the projects that were dropped or canceled along the route to approval or project completion. Is the cycle ineffective in producing projects because it is inefficient and slow? Or is the cycle inefficient because its phases are ineffective in delivering results? The evaluation did not find any significant causal relationships among the four areas of cycle effectiveness, efficiency, cost effectiveness, and modalities.

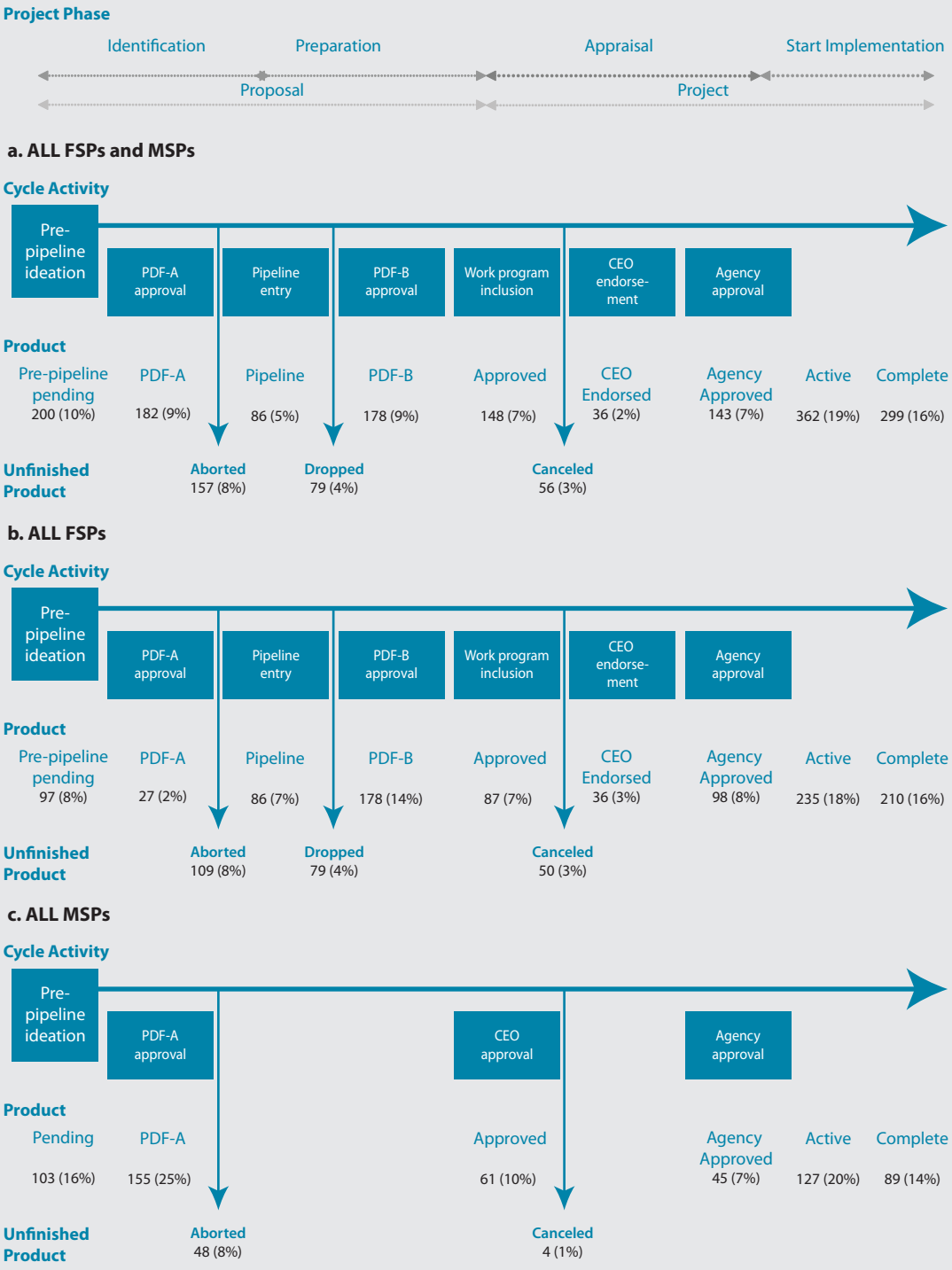
4.1 Productivity of the Cycle

For the purposes of this evaluation, the objective of the Activity Cycle is to produce projects—preferably good projects—in a timely manner. The cycle can be considered effective if it achieves this objective. The key aspect is *productivity*—that is, the *effectiveness* of the Activity Cycle refers to the extent to which the cycle yields approved projects. (In this context, effectiveness does not refer to the *impact* of the project.) Given the complexity of the Activity Cycle, the evaluation looked at its component phases and determined the effectiveness of each. Thus, the objective of the concept phase is to produce good concepts, the objective of the formulation phase is to produce good project documents, and so on.

The GEF cycle is not effective in producing projects in a timely manner. At each cycle phase, outputs are either not produced, or the GEF takes a long time in reaching a decision to clear the project to move to the next phase. The GEF has registered a total of 1,926 full-size (1,292) and medium-size (632) projects and proposals,[1] which represent investments in time, effort, expectations, and money. Of all projects and proposals, 66 percent have not started or have been dropped.[2] Figure 4.1 presents a schematic snapshot of the current status of all full- and medium-size projects and proposals in the Activity Cycle. The figure does not take elapsed time into account; the age distribution discussed in section 4.2 indicates that many projects have remained at a particular stage for some time without progressing. As the GEF has

Figure 4.1

Current status of FSP and MSP projects and proposals in the GEF Activity Cycle



Notes: Details may not sum to totals because of rounding. Percentages are relative to the specific set; for total, these are percentages of *all* projects and proposals; for FSPs, of *all full-size* projects and proposals; and for MSPs, of *all medium-size* projects and proposals.

not established explicit goals for the productivity of the cycle or its phases, the patterns on productivity noted below may serve as a basis for discussion of such expectations while taking account of the implications of the cycle's length on productivity. On the basis of the universe of 1,926 registered projects and proposals, five patterns emerge.

- **Low ratio of completed projects to all project proposals.** After 16 years of GEF existence, including the pilot phase, the ratio of completed projects is 16 percent of all project proposals.[3] This includes 210 FSPs and 89 MSPs. The completion rate for projects approved during earlier GEF replenishment periods is, of course, higher (for example, 46 percent for GEF-1 FSPs). While there are no established standards for completion rates of a portfolio, this low proportion implies that there is a relatively limited pool of completed projects from which lessons learned can be generated and impact expected. A total of 362 projects are active (that is, under implementation), of which 320 had PIRs in 2005. However, the implementation period of a project is not commensurate with the preparatory phases in the cycle. When considering the entire life-span of the closed projects from pipeline entry to actual closing, 43 percent of the projects' life-span was spent in pre-implementation (that is, being prepared).

- **Large proportion of proposals still under preparation.** The number of proposals still under preparation accounts for 23 percent of all projects in the cycle[4] (446 proposals, of which there are 182 PDF-As, 178 PDF-Bs, and 86 pipeline concepts). Proposals have spent an average of two years, or a median of one year, in the pipeline; 22 percent have spent three years or more years in the pipeline. (See box A.3 in annex A for definitions of average, median, and other statistical terms.) While the 178 PDF-Bs have averaged 1.5 years (median: 1) since pipeline entry, 10 percent of them have spent 3 years or more in the pipeline—in spite of the 2005 pipeline clean-up exercise by the GEF Secretariat that applied a cut-off ceiling of two years for requesting a PDF after a concept entered the pipeline and flagged projects that had been under preparation for more than one, two, or, at a maximum, three years. For 360 proposals that are currently implemented as PDF-As or PDF-Bs, resources worth $73 million have been allocated, representing future project allocations of almost $1.5 billion if they materialize.

- **Large number of projects still under approval.** Seventeen percent of all projects and proposals (327) are under some form of approval—Council approval for work program entry (FSPs)/CEO approval (MSPs), CEO endorsement (FSPs only), or Agency approval.[5] While MSPs are only subject to CEO approval and Agency approval, 17 percent of all MSP proposals are still under approval. Eighteen projects do not appear to have started,[6] even though they were approved by the respective Agency between 1998 and 2003 (a lag time of two to eight years); the average duration from Agency approval to project start is 2.4 months for FSPs and 1 month for MSPs.

- **Large number of projects with unclear pipeline status.** The pending or pre-pipeline group has not formally entered the cycle from the GEF Secretariat perspective. These proposals have, however, been registered by the Secretariat, some under the previous cycle requirement to register pre-pipeline, and some proposed by the Agencies to the GEF Secretariat for advice, review, or information. The practice of pre-pipeline registration has since been discontinued and is now managed by the Agencies themselves, meaning that the bulk of future proposals are

not known to the GEF Secretariat. The group includes 200 proposals (about 10 percent of all registered projects and proposals), of which the majority (148) are recorded as pending. There are no evident trends in the content of these proposals. About half (51 percent) of them are earmarked to become MSPs, making this group a de facto pipeline for MSPs, as proposals are shared informally with the GEF Secretariat for advice. Forty percent (42) of the MSP proposals are in the land degradation focal area, for which demand for funding has outstripped the supply of resources in GEF-3. As for the FSPs in this pre-pipeline group, many are in the climate change focal area (32 percent, 31 FSPs); several of these involve sustainable transportation and sustainable uses of energy. The Executing Agencies account for 9 percent of these 200 proposals, which is somewhat higher than their ratio for approved projects.[7] The pending/pre-pipeline group is a *productivity concern* in that it is unclear why the proposals have not materialized into pipeline concepts or PDFs. It is also an *information management concern* in that, because these proposals have no recorded dates in the GEF PMIS, it is unclear how long they have lingered in the system or why their PMIS status is not updated as aborted.

- **Large proportion of discontinued projects and proposals.** The ratio of projects and proposals that have been dropped from the cycle is 15 percent.[8] The 292 discontinued FSP and MSP projects and proposals include 56 recorded as canceled after approval, 79 dropped after pipeline entry, and 157 aborted before pipeline entry.[9] For FSPs only, the ratio of rejected proposals is 18 percent. Projects canceled during implementation account for about 6 percent ($371 million) of total GEF project allocations. However, the actual amount disbursed to these projects is not certain. The June 2006 report on cancellations to the GEF Council recorded $289 million returned (implying an $82 million loss), but contained some double recordings of projects (GEF Trustee 2006).[10] Moreover, PDF resources worth almost $16 million were allocated to proposals that were subsequently dropped or aborted; most of this (about $15 million) was PDF-B resources across 53 dropped projects. This represents 7 percent of the total GEF allocation to PDF resources of about $228.5 million ($138 million is for projects that were subsequently approved). Projects are becoming more expensive on average: Closed FSPs average a budget of $6.8 million across replenishment periods, while active projects have an average budget of $8 million.[11] Future nonperforming projects thus carry a larger financial risk.

Discontinued Projects

A certain proportion of dropped and canceled projects is to be expected, and could in fact be a sign of cycle effectiveness in weeding out undesirable projects, if a particular project is a risky undertaking. When Agencies find that conditions are no longer favorable to implement the GEF project, it is reasonable that the project be discontinued. Cancellations during implementation mostly appear to be appropriate and not due to any problems of the GEF system. However, the evaluation found that the length of the cycle stages until project start leaves GEF proposals more vulnerable to changing circumstances, priorities, and market conditions, and that the status of dropped or rejected projects before approval has not been monitored satisfactorily.

Fifty-six FSPs have been *canceled during implementation* (about 3 percent of all proposals) for various project-specific and justifiable reasons. For example, of the 24 projects canceled between January 1993 and November 2004, 6 cited changes

in government priorities as the main reason for cancellation, 4 sociopolitical difficulties such as civil unrest, and 12 unfavorable market economic conditions; only 2 reported lack of implementation progress as the reason for cancellation (GEF 2004k, annex F). Cancellation memos for 13 World Bank projects show that the Bank on its own decided in 10 cases to cancel projects, either because of insufficient progress (5 projects), insufficient institutional arrangements or safeguard issues such as land disputes (3), or for reasons external to the project (2) such as suspension of Bank disbursements to that country (Haiti) or a shift in Bank priorities in response to a crisis within the country or region; and in another case, the Bank and the GEF jointly decided on cancellation due to inability to confirm project feasibility. Cancellation of the remaining two World Bank GEF projects was the decision of the individual countries; one considered the GEF process to be too slow and bureaucratic, and the other stated that the project required a different type of financing than the GEF could provide (WB IEG 2006a).

For the 236 proposals *dropped or aborted before approval*, project proponents had in many cases started developing the project; 40 percent had a PDF. These proposals involved a number of subjects that have, over time, come to be informally discouraged by the GEF Secretariat, such as various geothermal, gasification, and electrification projects in the climate change focal area. ADB decided to drop five of its proposals (in conjunction with the government in two cases) for reasons including civil unrest and subsequent default on outstanding loan repayments by the government, inability to find suitable intermediaries, and changes in government priorities. All of the evaluation field visits found local stakeholders frustrated with uncertainty over why their proposal had been halted and with annoyance at the perceived ad hoc nature of decisions, as the GEF has in some cases financed similar projects elsewhere. Government stakeholders complained that there is no transparency, and therefore limited credibility, in GEF procedures regarding eligibility criteria or why proposals are halted. In Egypt, for example, stakeholders noted that "The fate of the entire GEF portfolio in Egypt has been jeopardized by the decision to reject the gasification and sustainable transport projects." They explained how, after the transport project proposal was initially cleared, then rejected, then refocused, and then rejustified, it was ultimately approved, but its GEF funding cut in half upon its presentation to Council, making its careful preparation seem superfluous. Newer partners to the GEF seem to have experienced more bottlenecks of dropped projects. A case of proposals aborted before pipeline entry for UNIDO is featured in box 4.1.

Implications of cancellations and halted projects depend on the links between the individual project and Agency activities. The same patterns of integration are found within all Agencies: fully linked, partially linked, or freestanding GEF projects (the international financial institutions use the term *blended* in referring to such integration). Three scenarios are observed, of which the last two are more prevalent among lending Agencies:

- **Freestanding.** The GEF project is freestanding without an associated Agency component, and project cancellation is due to factors related to the viability of the GEF project. Cancellation only affects the GEF portion. This is also the case for associated GEF projects that are closely linked to an Agency project that has already started.
- **Blended; loan dropped.** The GEF project is blended with a loan or regular project of the Agency, and the loan or project is dropped for various reasons. This does not automatically

Box 4.1

Proposals Aborted before Pipeline Entry: UNIDO

Proposals aborted before pipeline entry account for 22 percent of the collective portfolio of the Executing Agencies (compared with a 7 percent aborted average for the IAs), and UNIDO accounts for 63 percent of the ExA aborted proposals. Reasons for their cancellation, as reported by UNIDO, often refer to the GEF Secretariat's changing priorities or to a lack of specificity in clarifying Agency spheres of influence.

For two proposals in Mali—Development and Promotion of Efficient and Sustainable Energy Usage and Achieving Energy Conservation and Efficiency through Regional Institutions—UNIDO's GEF coordination unit notes that "GEF priorities changed, and energy efficiency was no longer a priority." In another case, Promotion of Regional Strategies to Reduce Unintentional Production of POPs in the Red Sea and Gulf of Aden Countries, "the guidelines that came into effect introduced ratification as a new condition for support, so the GEF Secretariat asked that Djibouti, Saudi Arabia, Sudan, and Somalia be dropped and that the project become an MSP as a result."

With respect to interaction with other Agencies, the UNIDO GEF coordination unit explained that three energy-related proposals (in Romania, Tanzania, and Zambia) had been submitted directly to the GEF Secretariat, which could be done at that time, and the Secretariat had technically approved them. Subsequently, the IAs objected to their being submitted directly, so the Secretariat instructed UNIDO to resubmit them via an IA. UNIDO decided to work with UNEP, which wanted to give priority to one proposal, Zambia: Innovative Approaches to Energy Conservation and Efficiency in Small and Medium-Sized Enterprises. This was resubmitted via UNEP in January 2006. Regarding another UNIDO proposal, Integrated Assessment and Management of the Resources of the Pacific Central American Coastal Large Marine Ecosystem, UNEP had submitted a similar project to the GEF Secretariat after UNIDO in 2001, and the Secretariat suggested that they be merged. However, as UNIDO was about to resubmit its proposal in June 2005, "it became clear that UNDP was preparing a separate project on the same subject to be implemented by UNDP alone. The matter is still being clarified."

and immediately lead to cancellation of the GEF component, especially if the GEF project is *partially blended* (that is, linked to the Agency loan/project but processed separately). However, as the base project is no longer available, the rationale for the GEF component has shifted and needs to be revisited. If the decision to discontinue is made before Agency approval, the GEF project request is normally subsequently dropped as well. If the project is *fully blended*, the GEF portion is processed together with the Agency loan or project.

- **Blended; GEF component dropped.** The GEF project is blended with a loan or regular project of the Agency, and the GEF component is dropped while the main loan or project continues. This is partly due to the feasibility of the GEF project, but also caused by the Activity Cycle. If the timing of the GEF decision point (Council meeting) does not coincide with the project schedule, the request for the GEF grant may be dropped to avoid delaying the client's needs. Or, if the GEF process is likely to cause undue delays in project processing, then the project design sometimes separates the GEF component such that other project components can proceed without the GEF funds. If so, the GEF project is either dropped or further pursued for approval to be integrated with the ongoing base project at a later time.

At the time of this evaluation, the GEF did not have an official policy on canceled and dropped projects. As per GEF procedures, the Agency sends a memo to the GEF when a project is canceled, typically specifying the reason for its discontinuation and who was responsible for the decision. The evaluation found that many such memos cannot be tracked, and thus the mechanisms for timely reporting to the GEF Council and reimbursement

of unused funds have worked slowly. A policy was developed for the December 2006 Council.

Internal Standards and International Practice

It would be useful to know how the productivity of the GEF cycle compares to that of similar multilateral or bilateral agencies. However, comparable data are difficult to obtain for a number of reasons. Many other organizations implement their own projects, while the GEF's is a more complex system, with the GEF being a non-implementing funder with its own Council and regulations. The GEF partnership seems to be unique in the management of its cycle, such that other organizations do not measure the same factors as the GEF. For example, most bilateral donors do not have three approval mechanisms (work program entry, CEO endorsement, Agency approval), and hence no ratio for projects under approval. As many donors operate with time-bound cooperation frameworks, there are incentives to ensure completion of projects. Also, certain data may not be tracked because productivity is not seen as a major problem to other organizations, or is seen as an internal issue.

The effectiveness of the GEF Activity Cycle can be considered in light of its own underlying objectives to produce good projects. The GEF invests considerable effort and funds into the development of proposals—PDF funding; a rigorous gatekeeper function for appraisal and approval; capacity development for local partners to ensure portfolio and project development; and guidelines, procedures, and criteria—all with the expectation that projects entering the pipeline should have a reasonable chance of approval. The GEF does not operate under a foundation model with open and transparent competition for funding proposals, which leads to funding for only the best proposals and a low Agency ratio of approval.

What would a reasonable chance of implementation be for the GEF portfolio? The fourth replenishment policy recommendations accepted the possibility that 25 percent of the GEF's projects would not perform satisfactorily, reflecting the GEF's mission as a risk-taking funding agency of innovative and catalytic activities. It would seem reasonable that the norm for satisfactory outcomes could be translated into a similar norm for the Activity Cycle: 75 percent of project proposals should lead to implementation. Currently, less than 40 percent of proposed projects had started implementation by January 2006.

The GEF has expressed expectations that the rate of dropped projects should be kept low. As stated to the Council:

> The objective [of continuing to improve project quality and efficiency in resource use] remains an overriding goal…Now that policy guidance is firmly in place, uncertainty about eligibility has been reduced and early work can be better targeted to the most viable, eligible projects. In addition, the introduction of more regular upstream consultations on project concepts and programming also should help improve quality and stabilize the pace of work. The rate of dropped or deferred projects is expected to fall with these efforts (GEF 1997b).

Other comparable agencies do not seem to experience project discontinuation as a major problem and therefore do not appear to track canceled projects or completion ratios. The flexible program approaches of some bilateral donors, such as the Scandinavian and Dutch cooperations, embed the preparation and implementation of support in national programs, and projects are less likely to be dropped. The UN system organizations, with grant mandate, rarely cancel their regular projects once agreed to and designed with the government, unless a crisis occurs. This also appears to be the practice of many bilateral donors, although project discontinuation may occur if the recipient has

not addressed requirements or triggers for releasing financial tranches. Linked to loan conditionalities or stalled implementation, the international financial institutions will cancel loans and projects more frequently (50 percent of GEF canceled/dropped projects are World Bank initiatives). However, the overall World Bank cancellation ratio for its regular loans is lower than that of the GEF (WB QAG 2006a).[12] Furthermore, "dropped projects before approval," both before and after appraisal, appear to be more specific to the GEF, in part because of changing circumstances during the project's long formulation period and partly because of ambiguity over eligibility and shifting GEF priorities.

4.2 Effectiveness in Cycle Processing and Portfolio Age

When originally conceived, the GEF Activity Cycle was intended to ensure quality while providing reliability to proponents regarding the eligibility of a proposed project. The various GEF review points aim to assess that projects are eligible and incremental, and thereby avoid large investments by stakeholders in time and money for projects that are not "GEF-able." As expressed by a GEF Secretariat staff member, "Once we have ascertained the eligibility of the proposal early on, each decision point should help secure that the project gets through." The system promoting this underlying goal seems to have eroded, however, as the acceptance of a project at any review point does not make the proposal move rapidly or easily to the next stage in the cycle.

"The comment and approval cycle is too long, with almost no added value to project quality; during this process, stakeholders (even cofinanancers from the private sector) grow weary waiting for project start-up. A project can end up being reviewed and amended by different stakeholders, agencies, the STAP, the GEF Secretariat, and then the Council to the point where it needs to be rewritten six or seven times or even more (often with contradictory reviews)."—Survey respondents

It is uncertain to what extent the innovative or pilot nature of GEF projects influences the cycle's productivity or the ability to bring projects to completion. The complexity of the projects themselves and inherent weaknesses in the original pipeline proposals have been mentioned by some stakeholders as possible causes of the lengthy preparation time and dropped projects. However, the lengthy processing times could also point to an inability to discern potentially good projects in an effective and timely manner during the cycle. The dropout rate can show that the cycle is effective in weeding out projects with potential problems. If so, one might expect the remaining projects with more potential to move faster through the process. The GEF elapsed times indicate, however, that projects have often been at particular stages in the process for a considerable time.

The difficulties in cycle processing, coupled with elapsed time, have implications for the age of the GEF portfolio. Age can be considered in terms of (1) the length of time from a project's origin to approval and (2) how long a project has remained at a specific status in the cycle. While projects have originated earlier, the earliest and most common measurable GEF point from which to track age is pipeline entry. Table 4.1 shows the progression of 1,059 FSP proposals (horizontally by replenishment period, each of which has specific portfolio targets, goals, and strategies) since 1991 from the date they entered the pipeline (see annex B for more detail). A considerable number of projects and proposals from the GEF pilot phase to GEF-2

Table 4.1

Current distribution of FSPs in the Activity Cycle by pipeline entry date

Replenishment period of pipeline entry	Total entering pipeline	Pipe-line	PDF-B	Dropped	Approved	CEO endorsed	Agency approved	Active	Can-celed	Complete
Entry date not available[a]	325	2	1	4	3	2	3	29	8	48
Pilot phase (1991–94)	18			11				6	6	78
GEF-1 (1995–98)	72	1	1	14	3	1	4	25	4	46
GEF-2 (1999–2002)	319	6	5	14	11	5	18	34	5	2
GEF-3 pipeline										
2003	79	11	27	6	14	8	19	11	4	
2004	76	8	43	3	22	5	14	3		1
2005	119	14	71	1	10	2	2	1		
2006	51	57	39		2	2				
Total (number)	**1,059**	**86**	**178**	**79**	**87**	**36**	**98**	**235**	**50**	**210**
Total (%)	**100**	**8**	**17**	**7**	**8**	**3**	**9**	**22**	**5**	**20**

Notes: Data are for the 1,059 projects that entered the GEF pipeline from 1991 to January 1, 2006. The earlier periods reflect informal pipeline entry dates for the pilot phase and GEF-1; pipeline entry reporting to the GEF Council began in 1999. MSPs are excluded, as they do not enter the pipeline.

a. These data represent a substantial proportion of the older GEF portfolio, specifically up to 85 percent of the pilot phase, 74 percent of GEF-1, 42 percent of GEF-2, and 6 percent of GEF-3. The majority of these projects (53 percent, or 170 FSPs) are UNDP projects, 85 percent of which are either complete (92 FSPs) or active (53). Another 91 are Bank projects, 42 of which are complete and 14 active; 32 are joint IA projects of which 12 are complete and 15 active. Thus, while a larger proportion of projects than are detailed in the table are closed, older projects are also still active. The age distribution of PDF-Bs is discussed in more detail in chapter 7.

are aggregated in the first row of the table; these do not have pipeline entry dates recorded and cannot be traced in as much detail. Some strategic issues raised by these data are discussed in the remainder of this section.

Does the Portfolio Reflect Current Thinking?

Increasingly, the proposals that are presented for approval during a replenishment period are from an earlier period. Table 4.2 shows that 27 project proposals dating from the GEF-1 period came up for approval in GEF-2. Sixteen of them were approved in that period, and 11 were carried over into GEF-3, in which period 166 projects dating from GEF-2 were still under consideration. Although a large number of new ideas were entered into the pipeline during GEF-3 (320 project proposals), the majority of approvals in this period (132) date from GEF-2. The approval rate of GEF-3 shows an improvement compared to GEF-2—from 41 percent for GEF-2 to 48 percent for GEF-3—but this is due to the high level of approvals in GEF-3 for GEF-2 proposals.

Consequently, the age of the GEF portfolio is relatively old, especially for ongoing projects and approved projects that have yet to start. For example, 46 percent of the FSP proposals that have entered the pipeline since 1992 have yet to begin, demonstrating that projects can take up to three years from concept to project start-up. Twenty-five percent of the projects that have recorded pipeline entry dates in GEF-1, before 1999, are still active.

Table 4.2

Cumulative proposals and approvals by GEF replenishment period

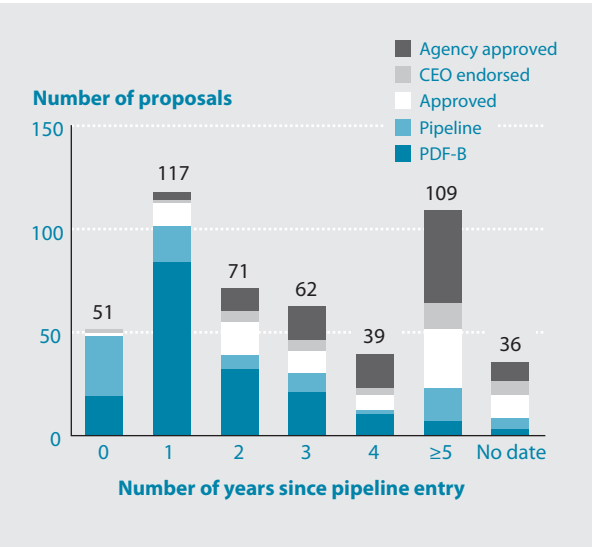
Replenishment period	Proposal status	GEF pipeline			Total	
		GEF-1	GEF-2	GEF-3	Number	Percent
GEF-1 (1995–98)	Proposals	62			62	100
	Approvals	35			35	56
GEF-2 (1999–2002)	Proposals	27	271		298	100
	Approvals	16	105		121	41
GEF-3 (2003–06)	Proposals	11	166	320	497	100
	Approvals	9	132	97	238	48

Note: Only concepts with recorded pipeline dates are included. Table includes concepts that are currently PDF-B (175), pipeline (82), and pending (2). Pilot concepts (17) and concepts that are pre-pipeline, or proposals that were dropped before work program entry or rejected before pipeline entry, are not included; 325 post-pipeline concepts without dates are also excluded.

Figure 4.2 shows the 485 proposals that have entered the pipeline but have yet to start. While 46 percent (221) of these proposals have received Council approval, a total of 54 percent (264) are pipeline concepts and PDF-Bs that have not yet received approval. These proposals are recent and thus constitute 67 percent and 26 percent of the one- and two-year-old categories, respectively. However, there are 75 pipeline and PDF-B proposals that entered the pipeline 3 years ago or more; in comparison, the average time from PDF-B approval to project approval is 2.6 years (31 months) for projects approved during GEF-3.

Figure 4.2

Pipelined proposals yet to start (n = 485)



Many proposals (246) show an elapsed time of three years or more since pipeline entry. These proposals have moved through more cycle steps but have not yet reached project start. Of proposals in the five years or more category (that is, proposals that were pipelined before FY 2001), 29 are Council-approved and 45 are Agency-approved. In other words, after more than 60 months, only 9 percent of these 485 pipelined proposals have reached the last step before project start. This distribution may either be the outcome of the slow processing speed of these proposals or because they have reached barriers in starting but have not yet been reported as canceled.[13]

For the 45 Agency-approved projects that entered the pipeline more than five years ago, the average time from pipeline to Agency approval is 58 months (median: 58 months). In contrast, the average time from pipeline to Agency approval across 43 currently active GEF-3 FSPs is 37 months (median: 35 months). By implication, the remaining 15 months (1.3 years) between Agency approval and January 2006 have been spent waiting for proj-

Box 4.2

Missed Opportunities: Negative Effects of a Long Cycle and Old Portfolio

In one-third of the field visits and in response to open-ended questions in the survey, GEF stakeholders raised concerns about the negative effects of a long cycle and an old portfolio:

- "The length and excessive number of procedures within the project cycle is increasingly making GEF financing irrelevant. It takes so long to move from identification to implementation that project design can be outdated when it finally starts, or the proponents have succeeded in finding an alternative and speedier source of funding."
- "By the time a project is approved by the GEF Secretariat or Council (especially), the situation might change rather significantly. This affects the project budget—dollar rate fluctuation, inflation, changes in government priorities—and very much affects the real project start and implementation."
- "It takes so long to prepare a project that government priorities have changed by the time it can be approved. This damages Agency credibility. It has happened to us three times: the Agency commits to a budget, the government does the same, and then the GEF rejects the project. If it takes the GEF five years to finally approve a project and get it operational, everything has changed completely on the ground."

ect start. Similarly, the 29 projects that are currently approved by the Council spent 54 months (median: 50) to reach Council approval, and have been in this state for an average of 14 months (median: 14) without being submitted for CEO endorsement. Stakeholders expressed concerns over the age of the portfolio and the implications of waiting for approval (see box 4.2).

Timely decisions to reject proposals add to the effectiveness of the cycle as stakeholders are made aware of the status of their proposals, and efforts expended on nonviable projects are minimized. For FSP proposals that have entered the pipeline, an average of 13 percent (135 of 1,059) are rejected after pipeline entry. Figure 4.3 shows that the proportion of FSP proposals between 1997 and 2005 rejected of the total entering the pipeline has been falling.

It is unclear whether more projects will be rejected in the future among those that have not yet started, particularly proposals that just entered the pipeline. Figure 4.4 investigates when the decision was

Figure 4.3

Proportion of all proposals rejected by year of pipeline entry (n = 645)

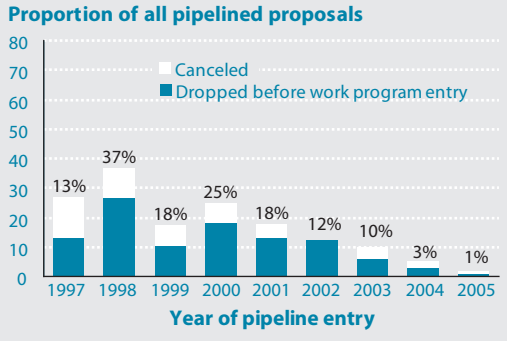


Figure 4.4

Time from pipeline entry to rejection and number of proposals rejected

made to reject proposals over the last six years, and highlights two trends:

- An average of 46 months (median: 40) or 3.8 years was spent in the cycle by 56 proposals before the decision to reject them was taken. Of these, 15 proposals were canceled *after* work program entry; they spent 50 months in the cycle (median: 43). The other 41 proposals were dropped *before* work program entry; they spent 44 months (median: 38) in the cycle.
- There are indications that the absolute number of rejections has increased each year, with a tendency toward more proposals being rejected before work program entry. For example, if the 2001–03 period is used a baseline with a ratio of dropped to canceled proposals of 1:1, the ratio rose to 4:1 for 2004–06.

What Are the Implications for GEF-4?

The Activity Cycle is becoming less effective in the timely production of new ideas for implementation. A number of projects from earlier replenishment periods (259) still await approval and could predetermine the early approvals in GEF-4, which would contain 2 leftover ideas from GEF-1, 34 from GEF-2, and 223 from GEF-3. This backlog must have an effect on the innovative and catalytic nature of the GEF.

Table 4.3 shows that the proportion of new ideas in each replenishment period has decreased. Whereas in the GEF-1 period, 56 percent of approvals concerned new ideas (35 of 62 proposals), in GEF-2, 35 percent involved new ideas (105 of 298); in GEF-3, the proportion of new versus all proposals was 19 percent (97 of 497). The proportion of new ideas *approved* versus new ideas *proposed* has also decreased over time, from 56 percent in GEF-1 (35 of 62) to 39 percent in GEF-2 (105 of 271) to 30 percent in GEF-3 (97 of 320).[14]

Table 4.3

Proposals approved within a given replenishment period

Replenishment period	Proposals submitted	Proposals approved	Percent approved
GEF-1	62	35	56
GEF-2	298	105	35
GEF-3	497	97	19

The GEF-4 differs from previous replenishment periods in that it will be governed by the Resource Allocation Framework. Assuming average GEF-3 elapsed times for different groups of projects and no changes to the Activity Cycle, three scenarios are possible for FSPs approved in 2006 (when GEF-4 started mid-year):

- **Best-case scenario.** Projects without formulation periods supported by PDF financing: 20 months (1.7 years), estimated project start February 2008. This concerns 20 percent of projects (50) approved during GEF-3.
- **Normal-case scenario.** Projects with formulation period supported by only PDF-B financing: 45 months (3.75 years), estimated project start 2010. This concerns 68 percent of projects (172) approved during GEF-3.
- **Worst-case scenario.** Projects with both PDF-A- and PDF-B-supported formulation periods: 66 months (5.5. years), estimated project start 2012. This concerns 11 percent of projects (28) approved during GEF-3.

Will Bottlenecks Be More Pronounced in the Future?

The number of proposals presented for review and approval has increased in each replenishment period. While 110 FSPs were approved in the pilot phase, 136 were approved in GEF-1, 210 in GEF-2, and 254 in GEF-3. Across the 1,059 FSP propos-

als that have entered the pipeline, 56 percent (485 projects) are at various stages of formulation and approval (excluding proposals and projects that are active, complete, dropped, or canceled). The backlog of proposals is in turn leading to an increasing volume of proposals processed at each stage of the cycle and an increased burden of work at every GEF decision point over time.

The evaluation found that the GEF cycle does not seem effective in ensuring decisions or actions in a firm and timely manner. Proposals spend time in a state of continuous appraisal without firm decisions being made. An effective cycle phase would ensure that projects are either approved or cleared so that they can move on to start and finish, or alternatively that they are dropped or canceled. Of FSP proposals entering the pipeline, the proportion of rejected proposals has been falling. Of projects that entered the pipeline four years ago (in 2002), 67 percent have not been subject to a firm decision.

5. Efficiency of the Activity Cycle: How Long Does It Take?

This chapter reviews how efficient the cycle is in producing its outputs, specifically the elapsed time for approved projects, and the factors that influence efficiency and standard times for other Agencies. It is based on the Asian Development Bank's Component 4 review of the cycle, data and statistics from 1,926 GEF projects and proposals, lessons from past evaluations, and feedback from stakeholders.

5.1 Elapsed Time in the Activity Cycle

The evaluation found that the average length of the Activity Cycle—the time it takes for a project to be identified, prepared, approved, and launched—increased for projects approved during each of the last three GEF replenishment periods.

Cycle Delays in Replenishment Periods

Given the queue of projects being processed at every cycle stage, a significant number of GEF projects are moving slowly through the cycle. This trend becomes more pronounced when projects use GEF preparatory resources. FSPs approved during GEF-1 took an average of 36 months to move through the full cycle from approval for PDF-A funding for concept development until project start. This already lengthy preparation time increased to 50 months for GEF-2 projects and to 66 months for GEF-3 projects[1] (see table 5.1 and figure 5.1). This corresponds to an almost 36 percent increase in processing time by GEF replenishment period.

Table 5.1

Average elapsed time from PDF-A approval to project start (as of January 2006)

Replenishment period	Number of months	Number of FSPs approved
GEF-1	36	17
GEF-2	50	15
GEF-3	66	12

For the majority of projects, the total processing time spans pipeline entry to start, since FSPs that do not access PDF-A resources for concept formulation are most common. Projects approved during GEF-1 spent 37 months from pipeline entry to start; this increased to 42 months (3.5 years) for projects approved in GEF-3 (see table 5.2). The overall elapsed time for GEF-3 is deflated, because Agencies, of course, use other sources or their own time and energy to substitute for the PDF-A concept development phase. The GEF does not record the dates for concept development by the Agencies or project proponents without PDF funding. However, if one assumes an optimistic figure of no more than 5 months for concept development without PDF-A (which is less than PDF-A time in GEF-1), the average time to start in GEF-3 would increase from 42 to 47 months.

Figure 5.1

Average time FSPs spend at each stage of the GEF Activity Cycle, by replenishment period in which projects entered the work program

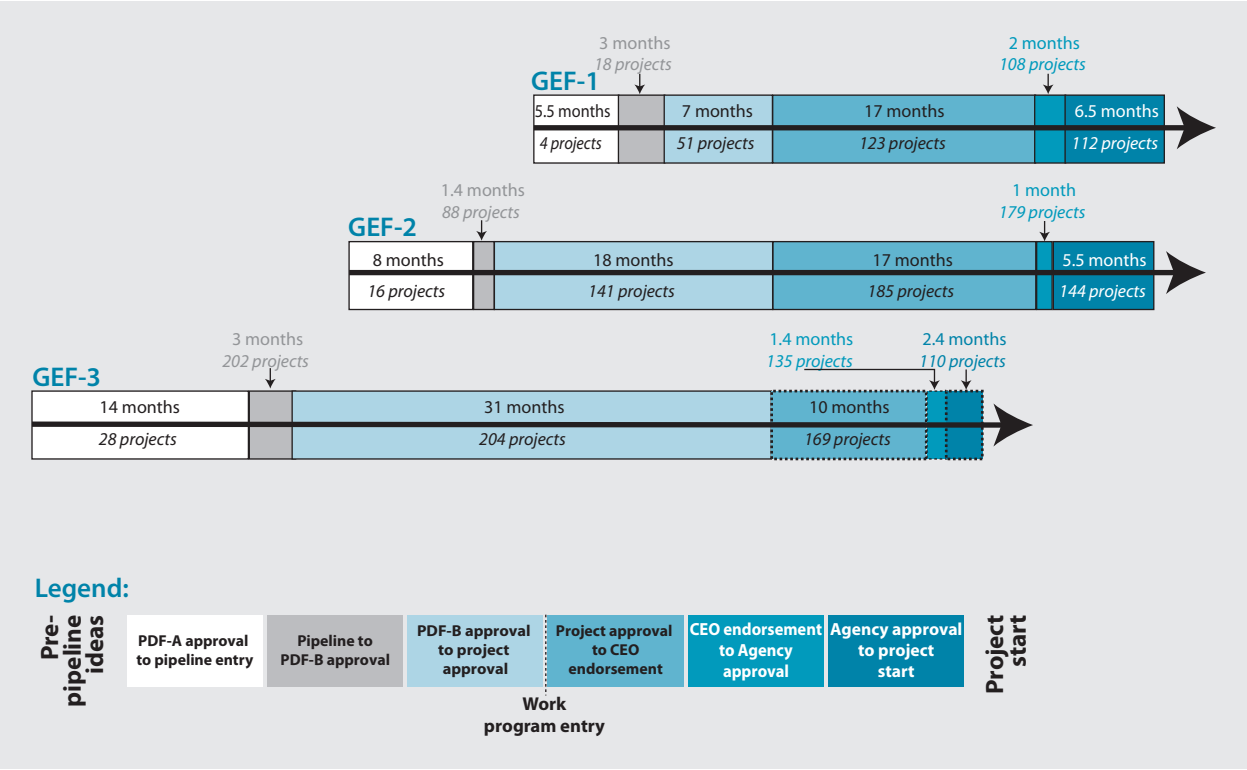


Table 5.2

Average elapsed time from pipeline entry to project start (as of January 2006)

Replenishment period	Number of months	Number of FSPs approved
GEF-1	37	36
GEF-2	39	90
GEF-3	42	110

Note: Data include projects with and without PDF-B resources.

The total project cost of approved MSPs is roughly 8 percent of FSPs, while the preparation time averages 60 percent of that for FSPs. This implies that each dollar committed to an MSP requires four times the preparation effort of an FSP. Not surprisingly, this discourages Agency staff as well as many country stakeholders from pursuing this type of project, despite indications by the 2001 MSP evaluation (GEF EO 2001) that MSPs generate positive impacts. Stakeholder perceptions echo these findings on elapsed time (see box 5.1).

Elapsed Time Still Increasing for Current Proposals

Many projects approved in GEF-3 have not yet completed the cycle to project start. The figures in tables 5.1 and 5.2 show elapsed time as of January 2006; table 5-3 takes into account elapsed time until October 1, 2006, for 90 projects that are still awaiting final approval for start-up. These updated estimates of average time from pipeline entry to start increase to 44 months for projects approved during GEF-3. This is a low estimate; many approved GEF-3 projects have not yet started or been declared operational, which means that time continues to pass for them. (The times for GEF-1

Box 5.1

Survey Respondent Perceptions on GEF Requirements

- The GEF Activity Cycle takes too much time from identification to implementation.
- The write-up and full approval process takes way too long. By the time the project finally comes off the drawing board, many assumptions or basic conditions have changed.
- The format of proposals is too complex and generates excessive documentation.
- There are too many bureaucratic issues and too much work for too little physical impact (on the ground) and too little budget.
- An increasing number of potential proponents are turning away from the GEF because it is by far too bureaucratic.
- The system virtually excludes smaller developing country NGOs and organizations from proposing projects.
- Need to prepare a GEF format project brief and, when the project brief is approved, need to rewrite everything and transform the brief into the Agency project format.
- The GEF features complex approaches that are difficult to translate in commonly understandable language and hence difficult to explain to otherwise interested politicians and government officials.

and GEF-2 remain constant.) Again, including a concept development phase without PDF-A would bring the average time to start in GEF-3 from 44 to 49 months.

Table 5.3

Average elapsed time from pipeline entry to project start (estimated to October 2006)

Replenishment period	Number of months	Number of projects
GEF-1	37	36
GEF-2	39	95
GEF-3	44	200

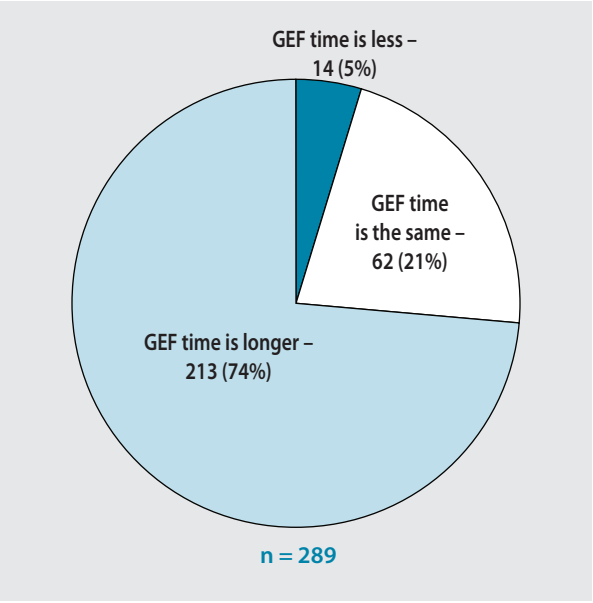
New instructions from the GEF Secretariat in September 2006 de facto add another phase *before* concept development—the project identification form—without any corresponding alleviation of later steps; requirements for other GEF review points were also added. To all elapsed times reported in this chapter must now be added this extra phase of project identification. Considering that projects approved in any GEF replenishment period originated in a previous phase with less stringent requirements for formulation (see chapter 3), further formulation delays are likely in the future. After numerous efforts at streamlining, the GEF has reached the limit of reducing mounting delays and inefficiencies within the existing procedural framework, short of more profound changes that address underlying causes.

Comparison to International Practice

In reviewing the cycle against comparable projects of bilateral donors or similar multilateral funds, it was found that the GEF cycle differs from common practice by the number of layers of steps, phases, and partners involved. Although firm data on elapsed times for other donors are not available, local project proponents who have worked with various donors stated during the field visits that the GEF cycle is viewed as less efficient. The majority perception among stakeholders is that the GEF cycle duration compares unfavorably with that of other donors (see figure 5.2); even so, 26 percent of survey respondents believe that the GEF cycle takes the same or less time as that of other donors.[2] All stakeholders consulted during the field visits indicated that it is preferable to work with other donors rather than the GEF if given the choice.[3] In benchmarking the processing durations with internal standards, the evaluation found that the GEF Activity Cycle requires significantly longer time and more effort compared to both the GEF's own standards for certain

Figure 5.2

Perceptions of GEF time frame for project preparation and approval compared with other donors



tasks, especially in appraisal; and the regular project processing times of the Agencies, both overall and for all cycle phases (this is discussed further in section 5.2).

Some Efficiencies Gained in Project Approval

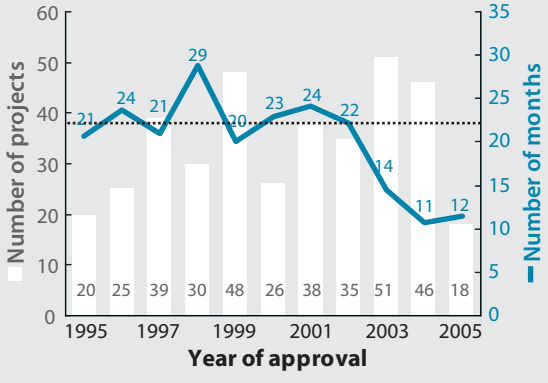
The average elapsed time for the process has decreased *after* work program entry—that is, for CEO endorsement, Agency approval, and project start. The average time across replenishment periods GEF-1 to GEF-3 from project approval to start has been 22 months, shown by the horizontal dotted line in figure 5.3. The largest decrease in Activity Cycle time is observed for the periods between work program entry and CEO endorsement, from 17 to 10 months for projects approved during GEF-3. This period includes steps to finalize the project document, taking into account Council comments, and the GEF Secretariat review of the final document for CEO endorsement. The Agencies have also been able to reduce the time required for their internal approval (from 2.0 to 1.4 months), and especially in launching the project (Agency approval to project start down from 6.4 to 2.4 months). However, the final figures for this last stage (Agency approval to project start) will increase, since many projects approved in GEF-3 have not yet completed the cycle to project start. The elapsed times for Agency approval of FSPs and GEF Secretariat approval of PDF-Bs have remained relatively constant, at between one and two months and three months, respectively. The evaluation found that the efforts of the GEF Secretariat and the Agencies to reduce delays in the approval periods under their responsibility are commendable.

Main Delays in Project Formulation, Appraisal, and Approval

The growing delays in the cycle are mainly due to increased time before work program entry for project formulation, appraisal, and approval. The sources of increased elapsed time are the processing periods financed by PDF-A and -Bs. The average time across replenishment periods GEF-1 to GEF-3 from pipeline entry to project approval has been 23 months, shown by the horizontal dot-

Figure 5.3

Processing time for FSPs after work program entry

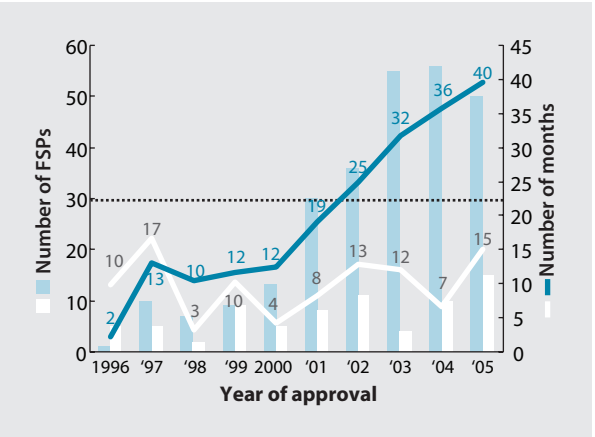


ted line in figure 5.4. The largest increase in time has been between PDF-B approval and work program entry; while this period averaged 7 months for projects in GEF-1, it increased to 18 months for GEF-2 projects and 31 months for GEF-3 projects—an average increase of about 420 percent across projects with and without PDF-B resources. Figure 5.4 distinguishes between these projects, highlighting the steep increase both in the number of FSPs using PDF-Bs and in the worsening trend in processing time for these projects from pipeline entry to project approval. Most projects now have a PDF component (71 percent in GEF-3), normally either PDF-A for MSPs or PDF-B for FSPs. Across replenishment periods GEF-1 to GEF-3, projects with PDF-Bs have averaged an increase of 196 percent in time spent pre-approval. (Factors influencing elapsed time are discussed in section 5.2.)

It is not the PDF per se that causes delays. The period from PDF-B approval to project approval (defined as work program entry) includes time spent in implementing the PDF-B by the Agency to prepare a project document; appraisal of the project document by the GEF Secretariat, GEF Council, STAP, and other partners; and submission to the GEF Council for work program entry to obtain project approval.

Figure 5.4

Processing time for FSPs before work program entry



Note: Blue (solid line or shading) indicates projects with a PDF-B component; white indicates projects with no PDF-B component.

For FSPs with a PDF-A component, the time from PDF-A approval to pipeline entry has increased from 5.5 months in GEF-1, to 8 months in GEF-2, to 14 months in GEF-3, although with fewer projects. This growth may reflect an increasing focus of the GEF Secretariat review on the earlier part of the cycle (the project concept). The pattern of increased duration for the PDF-A period is mirrored by the numerous MSP PDF-As (25.4 months from PDF-A approval to CEO approval for 160 MSPs across the GEF periods). See section 7.3 for more analysis on PDFs.

Elapsed Time Not Driven by Project Outliers

The average elapsed time can vary considerably from project to project, depending on circumstances. The evaluation found, however, that the average elapsed time is not driven by project outliers, defined as projects that take considerably longer or shorter time than the average or median. This finding is partially explained by statistical factors—because of the large volume of almost 2,000 projects analyzed, some cases on the end of the spectrum cannot bias the average—and partially because the "fast" outliers offset the "slow" outliers. Ultimately, the bulk of projects demonstrate long elapsed times.

Figure 5.5 illustrates the wide dispersion in project experience. Half of the 394 FSPs approved between GEF-1 and GEF-3 have taken up to 20 months from PDF-B approval to work program approval, shown by the dotted vertical line; another quarter has taken up to 35 months.

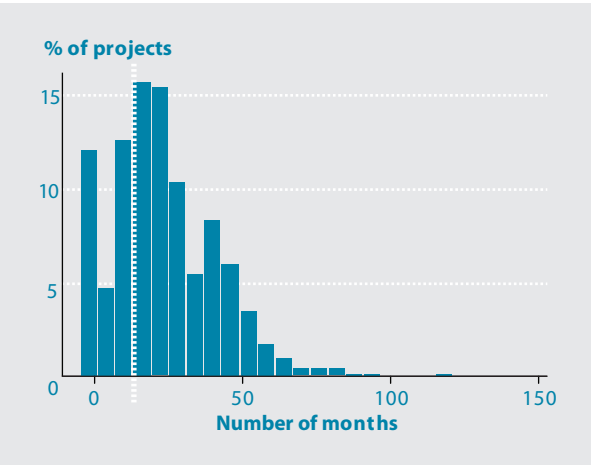
For the top 20 outlier projects, the elapsed time from PDF-B to project approval ranges from 55 to 116 months. The UNDP biodiversity project in the

Andaman and Nicobar Islands, Ecologically Sustainable Island Development in India, has taken 116 months (9.6 years). With PDF-B approval in May 1995, it entered the work program in November 2004 and has not moved forward in the cycle since. Similarly, the World Bank's regional international waters project, Bay of Bengal Large Marine Ecosystem, received PDF-B approval in September 1997 and entered the work program in April 2005—a total of 92 months (7.6 years). The evaluation identified 52 projects for which time elapsed between PDF-B approval and work program inclusion exceeded 45 months.

The elapsed time for approved projects is path dependent, which means it depends on the process by which each project arrives at various decision points. Of the 25 FSPs (10 percent of all FSPs) that took one year or less from pipeline to start, 72 percent had no PDF, which explains the short duration. This range of time taken is reflected by completed projects such as the World Bank's Development of Mini-Hydropower Plants in Macedonia or the World Bank-UNDP project in China, Nature Reserves Management, each of which took about five months from PDF-B until project start. The World Bank projects with such short elapsed time are often on a fast track for Board submission and linked to the approval of a blended Bank project. There is potential to gain efficiency in the cycle; for example, 17 projects that entered the pipeline in 2005 were approved in 2006, in an average of eight months.

Figure 5.5

Distribution of time from PDF-B approval to project approval



Notes: n = 394 approved FSPs. Each bar represents six months, and the height of the bar represents the proportion of PDF-Bs that spent that given time from PDF-B approval to project approval.

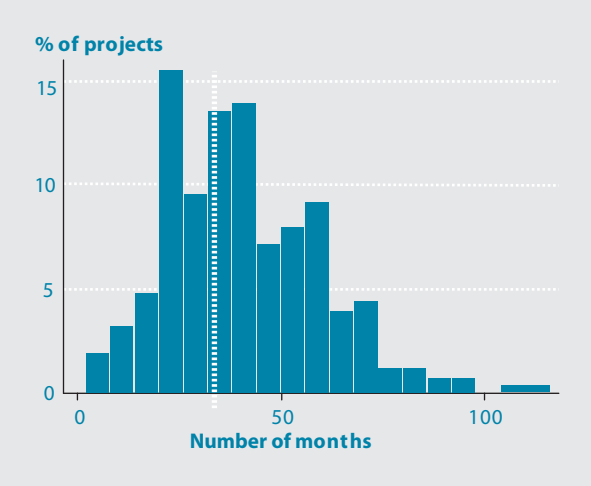
At the other extreme, complete projects such as the World Bank's Coral Reef Rehabilitation and Management Program II in Indonesia has taken 10 years; and, among still-active projects, UNEP's Addressing Land-based Activities in the Western Indian Ocean and UNDP's Wind Energy Applications in Eritria have taken 8.75 and 7.75 years, respectively, from pipeline entry to start.

The dispersion of time between pipeline entry to start is shown in figure 5.6. While the average time from pipeline entry to start is about 41 months for all approved FSPs with time data across replenishment periods (shown by the dotted vertical line), up to half of the projects take about 38 months. The next quarter of projects takes up to 53 months (4.4. years).

Projects moving slowest in the cycle seem to experience a combination of negative factors, of which several are due to local reasons, such as lack of cofinancing, staff turnover in recipient countries, or local conflicts. The cycle itself seems to reinforce some of these problems: delays jeopardize cofinancing, since partners—including the private sector—lose interest in the GEF project in the absence of a dynamic process of project approval. The longer it takes for a project to be approved, the more likely it is that there will be staff turnover, due to limited government terms and subsequent changes in the local administration. Box 5.2

Figure 5.6

Distribution of time from pipeline to start



Notes: n = 251 approved FSPs. Each bar represents six months, and the height of the bar represents the proportion of FSPs that spent that given time from pipeline to start.

illustrates cases among the projects with the highest elapsed times.

Projects by IFC seem to reflect faster timing on average than those of other Agencies. Several factors influence this trend:

- The private sector clients of IFC and their relatively fast pace drives the Agency to proceed quickly on project initiatives.
- The authority to approve projects is delegated to the department director, which means that the process and time for submitting projects to the IFC Board is streamlined or altogether eliminated.
- Cofinancing commitments on IFC projects do not have to go through a formal governmental budget approval process.
- IFC executes and implements many of its projects, rather than going through external contracting and procurement.

The nature of the projects may also play a role; recent projects have been somewhat weighted toward more commercial—and thus more clearly defined—approaches. Complex projects, such as the Philippines Cepalco grid-connected photovoltaic project (OP7, Reducing the Long-Term Costs of Low Greenhouse Gas–Emitting Energy Technologies) take longer for IFC.

5.2 Factors Influencing Cycle Elapsed Time

There are three main factors contributing to the GEF Activity Cycle delays and inefficiencies:

- The internal strengths and weaknesses of the cycles of the Agencies
- The nature of GEF projects
- The duplicative and unsynchronized character of the GEF cycle and GEF-specific requirements of projects

Delays in processing GEF projects are primarily due to structural and institutional constraints related to GEF complexity. The project-specific circumstances and Agency project cycles, the nature of GEF projects, and local circumstances cannot consistently account for the overall increase in elapsed time. Technical Paper 6, "The Cycle Phases: Strengths and Weaknesses," provides detailed information on the strengths and weaknesses of each phase of the cycle, from concept to closing and evaluation, and includes a listing of phase goals, steps, and responsibilities within the Activity Cycle for the different Agencies.

Factor 1: Agency internal cycles affect elapsed time. However, all Agencies have relative strengths and weaknesses in addressing GEF decision points in their cycles, so there is no *one* point in the cycle that causes the main internal bottleneck for *all* Agencies. The relative pace

Box 5.2

Projects with High Elapsed Time in the Cycle: Reasons for Delays

The following projects are among those with the highest elapsed times in the GEF Activity Cycle. For comparison, the average time from pipeline entry to project approval for GEF-3 is 30 months, with a median of 27 months.

- **Kazakhstan Municipal Heat and Hot Water (73 months).** Two factors delayed the submission for approval: (1) difficulty in identifying and obtaining cofinancing at a ratio acceptable to the GEF Secretariat and Council, and (2) the need to wait until another Kazakhstan FSP (Wind Power) was signed and became effective. While the government of Kazakhstan committed to general financial support of the wind project, it was very difficult to obtain a specific commitment from the Ministry of Fuel and Energy. UNDP made a specific request during a meeting with the minister in October 2001 and had still not reached a resolution by September 2003.
- **Eritrea Wind Energy Applications (85 months).** The PDF-B phase coincided with the conflict between Ethiopia and Eritrea, and the potential cofunders reneged on their earlier commitments. With the government having to provide funds from its own sources, the budgetary process was protracted.
- **Iran Removing Barriers to Large Scale Commercial Wind Energy Development (81 months).** Throughout the PDF-B phase, progress was marred by institutional infighting between the two governmental proponents. Also, the Ministry of Energy expected the GEF's incremental cost contribution to cover the investment component of the full project against OP6 (Renewable Energy) express guidance as to the exclusive GEF cofunding of the barrier removal.
- **Pakistan Wind Power (77 months).** Several exogenous factors emerged during the PDF-B phase, including the absence of a national-level institution with the mandate or capacity to promote wind energy, a lack of policies to promote renewable energy in general and wind energy in particular, and inadequate technical skills and knowledge.
- **Sanjiang Plains Wetlands Protection Project (62 months).** The design phase (PDF-B) took some time, since the project was originally integrated with another project on flood control located upstream. During PDF-B implementation, the government asked that the two projects be prepared separately. Project development was also caught up in a reorganization of ADB in 2002 which resulted in several changes in responsible staff. As a result, the project's design phase formally started in December 2003.
- **Integrated Coastal Resources Management Project (56 months).** Project processing was delayed by fiscal constraints experienced by the Philippine government. The project has now been approved by the government, and a submission for CEO endorsement is being prepared; it was expected to go to the ADB Board in December 2006.
- **Mainstreaming Conservation and Sustainable Use of Medicinal Plant Diversity (65 months).** This was a complex project involving seven states, which inevitably delayed matters. There were difficulties getting the main proponent to understand GEF requirements and thinking. Further delays resulted when the lead consultant withdrew from the project to assume the role of acting regional coordinator, and another consultant had to be recruited.
- **Andaman and Nicobar Islands: Ecologically Sustainable Island Development (116 months).** The PDF-B was approved in 1995, but the project document was not signed until 1998. Although the PDF-B was financially closed in 2003, it did not result in an FSP proposal due to disagreements among the various project partners regarding the project's purpose and objectives. (A lack of consistent supervision and guidance due to high UNDP GEF staff turnover in the region may have been a contributing factor.) Broad agreement was finally reached on overall purpose and approach, and the proposal was submitted and approved by the GEF Council in November 2004.
- **Integrated Management of the Fouta Djallon Highlands (69 months).** Institutional arrangements for project implementation have taken some time to finalize, due to disagreement on roles and responsibilities of the African Union and its eight participating countries. The union's coordination office in Conakry, which had coordinated project development during the PDF-B, was closed in 2004 by the government of Guinea following a disagreement, which affected coordination of activities. Mobilizing the required cofinancing has been affected by a delay in agreeing to institutional arrangements. Project appraisal completion was consequently delayed. There has been an inevitable delay on the part of FAO, the ExA, to finalize the project document for submission for CEO endorsement in order to start project implementation.

with which projects move through Agency cycles varies considerably. GEF projects exceed Agencies' normal duration for all phases and time periods. In a few cases, an Agency may manage to accelerate activities during a specific phase toward its regular processing times; however, this is generally offset with other, slower steps, so the overall processing period is longer than either business standard or normal processing times for non-GEF projects. Table 5.4 compares the average generic time frames per cycle phase submitted by the Agencies with the actual average elapsed times for GEF projects with data; project numbers are too limited for some Agencies to draw conclusions.[4]

Some phases or steps are by definition additional for GEF projects—specifically, the concept phase, PDF formulation and approval, Council work program entry, and CEO approval. The GEF requires both steps within a cycle phase over and beyond what Agencies would undertake for their own normal operations or projects, and entire additional phases. To provide some indication of activities behind the elapsed time, the evaluation reviewed a summary count of the steps within each cycle phase until appraisal.[5]

In the *concept development phase*, most of the Agencies have a number of steps from concept identification up to technical review of draft concept papers, which are linked to the specific requirements by the GEF at this stage.[6] Only a few Agencies would regularly develop a separate concept paper for their regular projects;[7] for the rest, this cycle phase would represent a GEF additionality. Government interviewees indicated

Table 5.4

Comparison of Agency time frames with actual elapsed time for GEF projects per cycle phase, in months

	UNDP	UNEP	World Bank	ADB	IFAD
Preparation phase: pipeline entry to work program approval					
Business standard	12	ND	ND	15 to 31	9 to 18
Actual elapsed time	33	34.5	17.5	39	30.5
Number of FSPs	112	27	211	4	2
Appraisal phase: work program approval to CEO endorsement					
Business standard	3.5 to 6.5	ND	ND	2 to 4	3 to 6
Actual elapsed time	15	12.5	14	10	16
Number of FSPs	177	38	189	3	2
Approval to start: CEO endorsement to Agency approval and Agency approval to project start					
Business standard	3 to 6	ND	ND	ND	3 to 6
Actual elapsed time: CEO endorsement to Agency approval	1.5	2	1.5	2.5	(0.5)[a]
Number of FSPs	153	29	182	3	2
Actual elapsed time: Agency approval to start	3	0.5	6.5	6	4.5
Number of FSPs	145	8	206	3	2

Sources: Agency submissions for standard durations, and Joint Evaluation database for actual time frames.

Notes: Elapsed time data for all GEF periods, excluding joint projects, are rounded off to the nearest 0.5 month. "Business standard" refers to Agencies' normal processing times for non-GEF projects. Data are for projects approved for IAs and under direct-access arrangements for the ExAs; the number of observations for ExAs are quite limited since direct access was operationalized in 2002. No data were reported for AfDB, EBRD, FAO, and UNIDO. Available data for concept to pipeline entry were insufficient for presentation. ND = No data.

a. Negative number recorded for IFAD refers to two projects for which IFAD Board approval came before GEF CEO endorsement (see box 5.3).

Box 5.3

Effect on Projects of Transition to an ExA

The two IFAD projects in table 5.4 show the effect of changing requirements and indirect access. These projects, in Brazil (Sustainable Land Management in the Semi-Arid Sertao) and Mali (Biodiversity Conservation and Participatory Sustainable Management of Natural Resources in the Inner Niger Delta and Its Transition Areas, Mopti Region), were initially developed under an indirect access procedure through two IAs. The Mali project, which entered the pipeline in 1999 and was submitted by the World Bank for PDF-B in 2002, entered the work program in August 2003 with the World Bank as IA and IFAD as executing agency. (The Brazilian project entered the pipeline in 2003 and the work program 13 months later.) The implementation process for the two projects was negotiated with IAs after the IFAD revised agreement with the GEF giving it direct access to all grants was signed in May 2005. The project status was subsequently changed to show IFAD as Executing Agency.

that, for most aid partners, concept identification is embedded in country programming processes. Two Agencies were able to provide average time frames for the entire concept development phase, ranging from two to six months. UNDP reported two steps fewer than IFAD, and also estimated a relatively shorter processing period.

The *preparation phase* is the longest across processing phases. Five Agencies—UNDP, UNEP, IFAD, IDB, and ADB—reported actual elapsed times for GEF FSPs that exceeded 2.5 years, and the range in average time for preparation phases across Agencies is the largest. For the preparation phase, only the multilateral development banks and IFAD reported steps involving the conduct of full-blown studies to prepare the project appraisal document; UNDP identified this to be the responsibility of the proponent, while FAO undertakes this internally. The average time frames estimated by Agencies for the preparation phase range from 7 to 31 months. Two of the regional development banks (ADB and AfDB) gave the higher duration estimates consistent with their number of reported phase steps. In contrast, while IFAD provided eight steps (which could be linked to recent efforts by the Agency to simplify some of its processes), its preparation phase was slightly over half of the ADB and AfDB standard time frames; this suggests relative efficiency in preparing a project brief. PDF funding is used to support project development for most FSPs (71 percent in GEF-3). For the 178 PDF-Bs currently under implementation, the average time taken from PDF-B approval until January 2006 has been around 13 months. The remainder of this phase covers reviews by various GEF entities and submission to the GEF Council.

The World Bank registered a 1.5-year period between GEF pipeline entry to work program inclusion—almost a full year less than the next shortest time, 30.5 months for IFAD. This abbreviated preparation time represents the average for the largest number of Agency FSPs (211) across time periods. Five Agencies (UNDP, UNEP, ADB, IDB, IFAD) reported actual elapsed times for GEF FSPs that exceeded 2.5 years, which are closer to the upper bounds of the regular time frames submitted by the regional development banks. Since the non-GEF and GEF preparation time frames of ADB are nearer to each other (an eight-month difference) compared to those for the other Agencies, its regular procedures under this phase may have complemented GEF requirements well enough to allow for easier adaptation to GEF processing.[8] However, this may not be a robust point since only four ADB FSPs are involved. The average times required to formulate comparable environmental Agency projects are considerably below the time needed for GEF projects, which is not fully explained by complexity (see factor 2).

All Agencies reflect higher elapsed times for the *appraisal phase* for GEF projects compared with their established business standards (where available) or average time for non-GEF projects (see Technical Paper 3, "Assessment of Project Cycles"). Elapsed times in appraising GEF projects ranged from one year to one year and four months; this is more than twice the average time Agencies observe for non-GEF projects overall and suggests that Agencies need additional time to finalize FSPs for GEF CEO endorsement relative to finalizing the document for internal approval. This extra time is often spent on firming up the incremental cost calculations and the cofinancing arrangements and commitment letters. IDB posted the shortest elapsed time (less than 4 months), although this was based on only four FSPs; IFAD had the longest (16 months, only two projects). The number of steps for this phase is quite varied, ranging from seven to eight steps for ADB and the World Bank, to a low of two to three steps for UNEP and EBRD. Consultation, country commitment, and negotiations with the borrower on project details do not appear to be integral to the appraisal phase of some of the UN agencies and regional development banks. In terms of average time frames, ADB reported a lower duration of two to four months despite having slightly more steps than IFAD and UNDP, whose appraisal steps take about three to six months.

Two time slices fall under *CEO endorsement and project start-up*: GEF CEO endorsement up to Agency approval, and Agency approval to start. The elapsed time results for these two periods should be computed together to be comparable to the standard durations for the entire phase. Data for UNDP and IFAD showed that their actual elapsed times were within the range for their overall projects—between three and six months. The World Bank and ADB reported more steps leading to FSP approval and start-up compared to the other Agencies, entailing extra preparation prior to Board approval and signing, as well as notification of decision, with elapsed times of 8 to 8.5 months (of which 75 percent was posted from Agency approval to start). UNEP had an average elapsed time of 2.5 months (for eight projects); its non-GEF projects could be declared operational two weeks after UNEP approval. EBRD reported the shortest time frame at two weeks, but this is confined to the approval steps. IFAD, UNDP, and AfDB recorded similar durations of three to six months.

The *implementation phase* is less susceptible to GEF-specific delays, but reflects variations in local and Agency capacities to initiate, facilitate, manage, and supervise projects. Adjusting legal, procurement, and disbursement procedures to fit GEF projects, especially smaller ones, continues to challenge the larger Agencies in particular. However, there are continuous overruns in project duration, with no evident link to length of formulation phase. For 191 closed GEF FSPs (85 percent of which are from the pilot and GEF-1 phases, when the Activity Cycle was shorter), the expected duration for implementation was 47 months (four years), and the average overrun was about 9.2 months more. When considering the entire life-span of these closed projects (from pipeline entry to actual closing), 43 percent of the projects' collective life-span was spent in pre-implementation (that is, being prepared). The evaluation found that the average elapsed time during implementation is not a major cause of concern.

In sum, the GEF uniform approach to cycle procedures does not appear to provide enough flexibility to make the most of each Agency's comparative advantages in cycle management. Agency strengths in efficiency of specific phases are not made use of or maximized. On the other hand, while any Agency has internal bottlenecks at some

point in the process, these appear relatively manageable when dealing with regular Agency projects, as shown by standard phase durations. GEF requirements appear to exacerbate such relative weaknesses. See table 5.5 for a comparison with average elapsed time per phase per Agency.

For *total processing time*, two IAs—UNDP and UNEP—documented the least number of steps for all cycle phases except appraisal; this does not necessarily mean that the cycles are shorter in duration.

From pipeline entry to start, World Bank projects appear to move fastest through the process, taking on average one year less than UNDP projects in GEF-3; the difference from average for both UNDP and the World Bank is statistically significant. Among the IAs, the elapsed time was highest for a small number of UNEP projects approved during GEF-3 (see figure 5.7).

Comparable data for cycle processing is available for World Bank projects from FY 1999 to 2006. The International Bank for Reconstruction and Development (IBRD)/ International Development Association (IDA) projects showed no increase over time, but Environmentally and Socially Sustainable Development projects did after 2002, mainly due to the greater attention to safeguard issues. Regular IBRD/IDA loans are fastest in average project preparation time (15.3 months), and Environmentally and Socially Sustainable Development projects somewhat slower (18 months). Both the World Bank GEF MSPs and FSPs have taken longer than the Bank's regular environment projects. These findings suggest that the processing of environmental projects is becoming more

Figure 5.7

Elapsed time in GEF-3 from pipeline entry to project start, by Agency

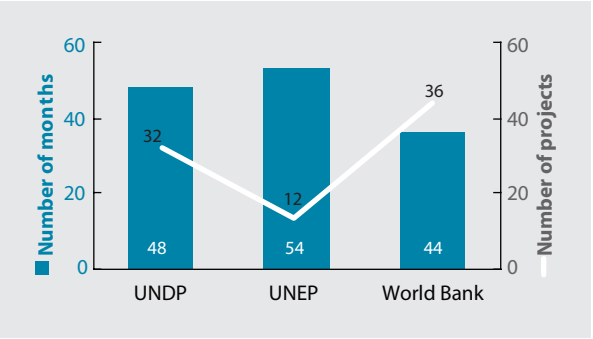


Table 5.5

Elapsed time: average versus Agencies

Elapsed time	Preparation	Appraisal	CEO to Agency approval	Agency approval to start
GEF-3 average	30 months	10 months	1.4 months	2.4 months
More than average elapsed time	IDB ADB *UNEP* *UNDP* UNIDO IFAD	IFAD UNDP UNEP	IDB ADB UNEP	World Bank ADB IFAD
Less than or equal to average elapsed time	*World Bank*	*World Bank* IADB	IFAD UNDP World Bank	UNEP UNDP IDB

Source: :Joint Evaluation database.

Notes: Insufficient data for FAO, AfDB, EBRD, and UNIDO. Differences are based on small numbers of projects and are not statistically significant, except for the three IAs, where noted. Statistically significant differences from respective GEF-3 averages are in *italics.*

difficult regardless of the organization that prepares them, and that there are additional processing problems related to GEF projects, particularly medium-size ones, with decreasing processing efficiency.

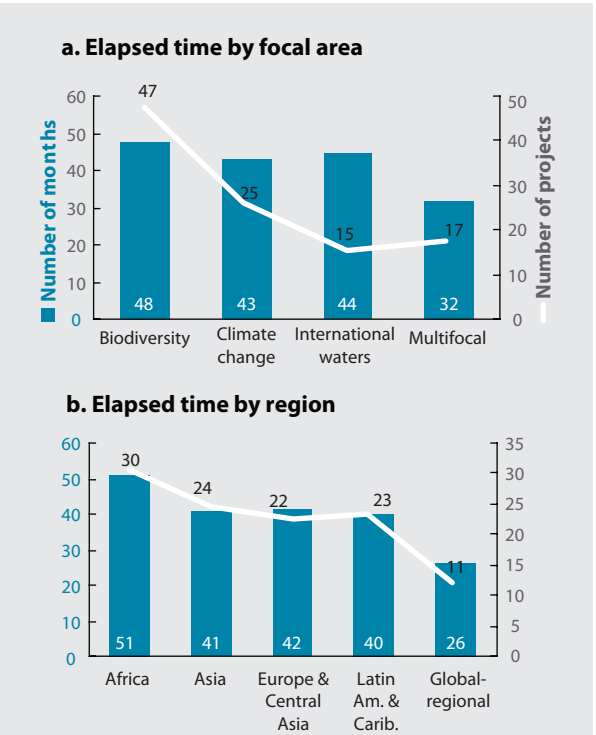
Factor 2: Elapsed time is affected by the nature of the GEF projects, focal areas, and regional situations, and especially by different uses of PDFs. However, such project-specific factors cannot consistently account for the overall increase in elapsed time. By nature, GEF projects are often complex and involve technical issues for which there is often a limited number of staff or consultants with relevant qualifications as well as institutional experience. When a GEF review raises an issue of eligibility or requires additional information to be collected, and it is not possible for this to be quickly resolved through desk work alone, additional delays can be caused by mission travel, recruitment of a consultant, and meetings with national counterparts who are themselves often overextended (particularly those most familiar with GEF criteria and procedures). As one interviewee noted, "As designed, the GEF project cycle can work only if everything goes smoothly."

As shown in figure 5.8 for pipeline entry to start by focal areas and regions, biodiversity has the longest elapsed time, and multifocal areas the relatively shortest (48 and 32 months, respectively, both of which are statistically significant). Both biodiversity and international waters projects have a high use of PDFs (60 percent and 73 percent, respectively), especially compared with climate change projects (53 percent of which use PDF financing).[9]

Some linkages with local capacity and project complexity can be observed, although the differences in elapsed time are not major. By region, FSPs in Africa take on average about 10 months longer (which is statistically significant) from pipeline to

Figure 5.8

Elapsed time in GEF-3 from pipeline entry to project start, by focal area and region



start. This is partially explained by their greater demand for PDFs: 68 percent of Africa projects have PDFs, compared to an average of 55 percent for non-Africa FSPs. Global and regional projects have the shortest elapsed time, especially given that 41 of 61 global projects (a statistically significant 67 percent) do not have PDFs and are often tranched or umbrella projects that take less time to prepare.[10] PDF-Bs are increasingly executed by government entities and must take into account national execution modalities and the capacity of national institutions.

There is no strong link between country categories and elapsed time. Projects in LDCs tend to take a longer time from pipeline to start. For GEF-3, 13 projects in LDCs took an average of 47 months (6 months more than 77 non-LDC projects). It

appears that country per capita incomes are not a strong determinant of the time for FSPs to move through the Activity Cycle. From pipeline entry to start in GEF-3, 26 projects in low-income countries took 43 months, as compared to the 40 lower middle-income country projects that took 41 months; but the 14 upper middle-income country projects averaged the most, at 46 months. For small island developing states (SIDS), whose income is varied, the difference in time is not significant from average.

Elapsed time cannot be clearly explained by project complexity or size. Projects with large budgets need to program and design a larger number of activities and delivery of inputs, but do not necessarily take more time to formulate. For GEF-3, 42 projects with allocations of less than $5 million spent about 48 months being processed from pipeline to start; the time spent by the 16 most expensive projects (those with allocations above $11 million) declined to 37 months. Other presumably complex initiatives, such as regional, global, or multifocal projects, or technically complex projects, also move with relative speed through the process.

Local factors influence the cycle and cause delays. Many of these factors are generic and not specific to GEF projects, such as weak institutional capacity, problems in communication and infrastructure, and government ministerial reshuffling that may cause changes in policies or waiting periods while the project is being reconsidered. In any case, no reliable time statistics are tracked for activities at the country level.

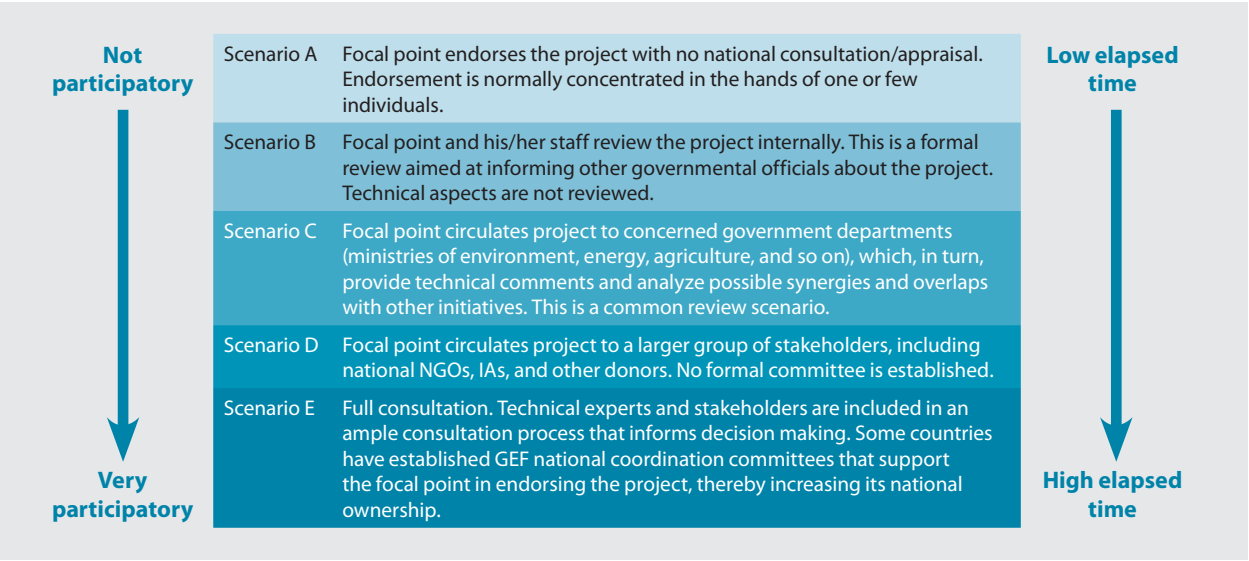
The time for GEF focal point endorsement varies substantially from country to country, from as little as one day to several months, depending on the type of project (FSP, MSP, or enabling activity), prior involvement in project formulation, project complexity, the project's political sensitivity, the interest of the stakeholders, and individual capacity. A tentative norm for endorsement is one month (for MSPs) (GEF 1998g). The field visits and documentation review revealed five scenarios (see figure 5.9). *Scenario A*, with no consultation, appears to be relatively rare, but occurs, for example, with regional or global projects of limited implication to the country. *Scenario B*, with internal review of consistency with GEF concerns, seems to be normal for projects of a nontechnical nature, such as for enabling activities, or projects directly under the purview of the focal point's office. The most common scenario appears to be *Scenario C*, with circulation among governmental departments, depending on the project. This can take time for FSPs and also depends on the capacity of the technical institution coordinating the response.

For specific projects, a more dynamic process can take place (*Scenario D*). For example, in Tunisia, many meetings took place with all stakeholders—the private sector, NGOs, the UN, government—for the POPs and biosafety projects, as they were new and of a sensitive nature. In some cases, the Agencies support the consultation process locally, as when UNDP convenes a local project appraisal committee. Formal national coordination mechanisms for the GEF (*Scenario E*) are limited to a few countries, such as Bolivia, China, Colombia, Poland, South Africa, and Uganda (GEF NDI 2005). With higher levels of well-coordinated national consultation, the mobilization of national ownership, and improvement of the project's quality at entry, cycle effectiveness is improved. This improvement, however, poses trade-offs with efficiency, as extensive coordination takes time and resources.

All field visits indicated that delays are often exacerbated for GEF projects. In some cases, the GEF focal point is not closely placed to technical government ministries and may represent another

Figure 5.9

Focal point endorsement level of national consultation



layer of approval for projects that the departments and Agencies have agreed on. Also, the extended time of GEF project development means that the more time that passes, the more likely it is that the government may change during the period. Obtaining MSP endorsements from national operational focal points for NGO-executed projects has frequently been difficult and time consuming (GEF EO 2001). Yet, the evaluation found that time taken at the local level for endorsement cannot account for the bulk of elapsed time for FSPs. Survey respondents seem to agree; operational focal point endorsement ranks first in taking the least time and resources (24 percent, 105 respondents).

The main reasons cited for focal point endorsement delays are national political pressures, lack of institutional capacity, lack of understanding of all players involved in the cycle, time and resource constraints, lack of conformity between GEF and government procedures, and low level of information on the status of projects that have been endorsed. Although the GEF National Dialogue Initiative aims to tackle some of these issues, the evaluation field visits indicate that much remains to be done in terms of building capacity among civil servants, increasing the knowledge as to GEF procedures, and supporting institutional capacity to interact with the GEF. This need will be more acute with the advent of the RAF so as to prevent a further decrease in cycle efficiency and effectiveness.

Factor 3: The project preparation process is iterative and contingent in ways that are not adequately captured by a conventional project cycle or processing time line. The disconnect between the GEF decisions points and the regular Agency cycles is the major cause of delays. The project preparation process entails a series of interactive steps which may involve two or more partners, each of whom may be operating under different time constraints. The processing time lines published by the GEF for its various decision points are short (ranging from 5 to 30 working days) and do not capture all of the time that may be needed for reformulation or resubmission

of documentation as a result of feedback from a prior decision point (as well as internal discussion as to how to handle a given comment or suggestion). Taken together, none of these steps appear in their own right to be inordinately complex or time consuming, yet it is not difficult to see that the process as a whole entails numerous opportunities for delay—especially when the time-bound processing windows mentioned earlier need to be accommodated (for example, the scheduling of missions, or Board or Council dates). This suggests the need for a degree of skepticism concerning the potential time efficiencies to be gained by further refining existing procedures, in the absence of major changes in the way the process as a whole is designed. Such refinements—for example, to formats, time standards, clarification of roles, electronic posting—have been attempted at numerous points in the past, without success.

Specifically, the *timing* of certain GEF decision points are not compatible with Agency processing schedules, but nevertheless must be complied with, resulting in additional time pressures on project preparation staff. When the complex interaction of activities by different partners includes the need for substantial rework, processing schedules are frequently overturned. The cycle elapsed times are particularly affected by missing time-bound decision points, including work program entry and submissions for Council meetings, pipeline entry, and Agency Board dates. Even relatively modest setbacks in the process that result in missing a given time slot for approval can lead to delays. For example, the Participatory Coastal Zone Restoration and Sustainable Management in the Eastern Province of Post-Tsunami Sri Lanka proposal was pipelined on May 19, 2005, and submitted to the June 2006 Council but included in the work program on August 1, 2006—13 months elapsed time, including a 3-month delay due to work program postponement by the GEF Council.

"The GEF project cycle duplicates a large part of the World Bank's cycle, requiring additional resources and time. In addition, work program entry is at a relatively early stage of the World Bank's processing (after Project Concept Note and Quality Enhancement Review, but prior to appraisal), while requiring a substantially complete project documentation. It would be a lot more efficient to let Council approval coincide with the decision-making stage of the World Bank (at least for World Bank–executed projects), provided Council could have more review dates and time requirements could be reduced."
—Survey respondent

The replenishments also cause fluctuations in the number of projects approved at the beginning and end of replenishment periods, but no clear implications for elapsed time. See box 5.4 for stakeholder perceptions of this disconnect between Agency and GEF cycles.

The evaluation found that key delays stem from a misconceptualization of Agency cycles and GEF decision points. A project cycle is by its nature sequential and continuous, moving from one phase to the next, both for aid and business organizations. While the order of specific steps may vary, the cycle process is chronological in the functions of identification, formulation, appraisal, approval, start, implementation, monitoring and evaluation, and closing. In the GEF, however, these functions are constantly repeated through the cycle by the periodic GEF review points with the power to reject or return the project. The periodic reviews in effect disrupt the regular cycle, and cause a stop-and-go effect in formulation. The evaluation heard numerous examples of such disruption and of shifting goalposts—when for example, the project proponent has addressed GEF review comments and submitted a revised

Box 5.4

Disconnect between GEF Decision Points and Agency Cycles

The interviewees from nearly all countries visited and many of the survey respondents have highlighted the disconnection between GEF decision points and Agencies' cycles as a major source of delays. Sample comments follow.

- The GEF cycle is not very flexible in adjusting to the IDA project preparation dynamic; there are procedures and requested parts that need to be included for the GEF but that are less relevant for IDA.
- The process leads to the preparation of two project documents: one for the GEF in parallel with another one for the IA's requirements. It's almost like processing two projects with two separate schedules and two separate documents, creating delay.
- The difficulty of working with three different cycles is that the more rigid time lines of ADB and the government compared to the GEF forces managers to break the ideal sequence of how the cycles go together. Because ADB operations officers do not realize the potential for GEF financing until late in the project design phase, they would need to catch up on fulfilling the GEF requirements, leading them to present the loan proposal for Board approval even before the GEF Council approves cofinancing. The result is that ADB staff prepares an appendix indicating that GEF cofinancing is expected in the future and outlining the components that will be funded. Therefore, the risk is that the GEF elements are structured into separable, identifiable components that discourage integration with the other, non-GEF-funded components.
- There is repetition of information required among the different categories, as well as duplication of activities between the GEF Secretariat and Agencies, leading to difficult and cumbersome processing, even for less expensive modalities such as the SGP and MSPs.
- It is difficult for government and project staff to differentiate between IA (intermediary) and GEF procedures.

document, to be faced with a completely different set of questions.

A key issue seems to be a lack of clarity regarding what GEF reviews will address and on what basis. Local and Agency stakeholders are keenly aware of the importance of the assessment of GEF eligibility, but believe that the lack of clear guidance on priorities and eligibility leads to inefficiencies and to multiple rounds of comments from Agency headquarters and the GEF Secretariat that are mutually conflicting (see box 5.5). As a stakeholder pointed out in the Laos visit, "In general, GEF guidelines do not tell what is really intended and what lies behind the words." While recognizing that this is often intentional due to the political nature of the GEF and the belief that some things are better left unwritten, stakeholders found that "it puts countries in a difficult position, as neither the government nor resident Agency offices have that insider knowledge."

Another effect of the inefficient transition between phases is the detrimental gap between completion of PDF activities and beginning of project implementation, during which time proponents are waiting for the extensive reviews by

"The time required to implement PDFs is not necessarily a problem because things are happening and the project is being developed at that time. However, once the PDF ends there is a gap between those activities and the project activities while waiting for project approval which can take a long time. Then because of the long final approval process the baseline or the situation can change by the time the project activities start. There is also the issue of high expectations becoming frustrated when the project approval takes such a long time."
—Interviewee in Macedonia

Box 5.5

Concerns about GEF Reviews

Survey respondents and field visit interviewees have pointed out that project reviews can be a strength. Said one survey respondent, "The reviews by the GEF Secretariat, STAP, other IAs/ExAs, and convention secretariats have proven to be beneficial in refining project proposals." However, a number of concerns have also been raised regarding the various reviews and reviewers.

- The Secretariat sets clear deadlines for submission, which are kept, and then does not meet its own deadlines.
- When constructive, comments are useful; when antagonistic, they are not helpful. This used to work better; the situation is worsening.
- More comments are received when another Agency does not want the project because it competes with the Agency's own interests. For example, a five-page brief received 40 questions from an IA recently.
- Comments are generic and not limited to the mandate/expertise of the Agency.
- Comments are not harmonized, meaning that the project team receives a number of opposing criticisms and suggestions.

GEF entities and submission to the work program. In the field visit to the Philippines, national stakeholders told of experiencing time pressures from the IA, weighing on the proponent to complete all preparatory work within three to six months in order for the proposal to be included in the GEF work program. Undue emphasis on the timeliness of document submissions can backfire in terms of additional costs (increased number of consultants) and reduced safeguards (hasty consultant selection process), thus necessitating later revisions. Interviewees in other countries echoed these challenges in timing the formulation to GEF corporate concerns, coupled with the work at Agency headquarters to ensure that those concerns are addressed.

The disconnect in expected purpose of cycle phases is illustrated by the *front-loading* of GEF requirements to the project identification (concept) phase that are normally covered in formulation (such as sustainability, incremental cost, replication, and cost effectiveness; see chapter 3). This front-loading necessitates adapting the Agency cycle—or worse, early inclusion of GEF requirements and retrofitting of design elements later. In effect, the GEF concept phase becomes a cycle in itself, with identification, formulation, appraisal, and approval of a concept paper. The first version of the project identification form requested objectives, outcomes, and outputs, as well as activities, details on cofinancing resources, and identification of the local executing agency. It is difficult to see how such information may credibly be provided at the identification stage by project proponents before any extensive consultation or formulation has taken place. Moreover, such front-loading has not been accompanied with any paring down of requirements further on in the process.

The cycle disconnect has negative consequences beyond time delays. Because the GEF project cycle is so much longer, Agencies cannot easily undertake project design in parallel with the development of the baseline or blended project, which would ensure coherence, synergies, and mainstreaming, besides making formulation more efficient. For example, an IFAD loan takes seven to eight months to prepare, while a GEF project can take 2.5 years. Agencies have had to develop innovative, but not ideal, strategies to cope with this. Some Agencies (such as AfDB) attempt to work on GEF projects before starting the development of normal operations. Others try to obtain Board approval before the GEF Council's, given that the most time-consuming part of the process is appraisal before approval. Several Agencies point to the particular challenges in the timing of the appraisal phase, which is especially demanding

for GEF projects with comments from the GEF Secretariat, other Agencies, convention secretariats, STAP, and the Council, not counting internal feedback and country comments. Worse, if the timing of the GEF decision point does not coincide with the project schedule, the request for the GEF grant may be dropped, as delaying the country client's needs is not feasible.

The GEF normally does not adhere to its own standard times for GEF reviews or for the nominal processing times for GEF projects. The nominal processing time for an FSP, as stipulated in the GEF program management bulletin, would total some five months due to the various review and approval steps that are required:

- Review of concept documents for pipeline entry (by IAs and ExAs, convention secretariats, and GEF Secretariat staff) and concept review meeting: 1.5 months
- PDF-B processing where requested separately: 0.5 months
- Review for work program inclusion: 3 months
- CEO endorsement: 0.5 months (and an additional 1 month for proposals that are recirculated to the Council before CEO endorsement)

The actual processing period on the GEF side for the various internal review and approval procedures (Secretariat, STAP, Council, and CEO) is longer. The GEF has not established separate standards for each phase cycle duration, but tentative time lines and maximum response times for review comments exist (GEFSec 2005b, annex S).

In 2005, the World Bank did a detailed analysis of the length of time its GEF projects took at various stages of review—pipeline entry, work plan program inclusion, CEO endorsement. The results showed that there were numerous occasions when review memos or other GEF notifications were received later than scheduled, typically in the range of one or two weeks later. The averages cited were skewed by a small number of projects with prolonged response times, especially in the case of multifocal projects. However, even without the outliers, most cases were above the maximum times, and few were significantly faster. In April 2005, the GEF review process for all Agency MSPs was found to take on average 3 months rather than the 25 working days envisaged by the GEF procedures.

Elapsed time data do not adequately capture the delays or even dropped projects caused by reviews reflecting the changing priorities of the GEF Secretariat or changes in staff with different priorities. The subsequent time consumed on the Agency side includes time taken to respond to questions or suggestions made during the review process, to make modifications to the project design, and to communicate with host country partners about proposed changes or additional information sought. Where this requires detailed, field-based discussions or data gathering (such as field missions), the process takes more time and can result in possible scheduling difficulties. In comparison, MDBs generally expect a two-year total processing time for a typical investment or technical assistance project.[11]

Elapsed time, especially for project start, is also caused by internal management and communication issues, such as delays related to slow official notification of CEO endorsement by the GEF Secretariat, and a lack of communication between the Trustee and Secretariat such that an Agency must wait two or three months for them to reconcile figures so that letters of commitment can reach the Agencies months after endorsement.

The goal of mainstreaming the GEF into the Agencies' work has been stressed in Council discussions on several occasions since 1997:

> Where GEF activities can be incorporated into normal IA operations, processing [of projects] should be able to be virtually identical to that of the larger effort, reducing considerably the per unit processing costs charged for GEF's portion of the activity (GEF 1997b).

This is not materializing.

In spite of its partnership nature, there are few processes in the GEF cycle that are considered to be joint activities. For the project development process overall, 17 steps are identified as GEF responsibilities; 10 are IA/ExA steps; and only 2 are explicitly described as joint procedures, and these mainly involve reviews (see figure 4 in Technical Paper 3, "Assessment of Project Cycles"). One possible avenue for better synergy between GEF and Agency procedures would be to give more attention to defining joint procedures in such a way that project development could become a more collaborative activity. An example of a joint activity is given in box 5.6.

Box 5.6

Quality Enhancement Reviews for the GEF?

One mechanism that could be explored as a means of strengthening collaborative efforts in the Activity Cycle would be to offer quality enhancement review panels which would bring together representatives of the IA/ExA, GEF Secretariat, and (perhaps) the STAP roster to review key issues of project design. In the World Bank, quality enhancement reviews are driven by regions and task teams seeking constructive feedback early in the project preparation process, especially on complex operations. The intention is to provide timely and high-quality input to the project preparation team at a stage when such input can be most beneficial; it is not a clearance function and should not result in unexpected delays in the preparation process. Implementing a quality enhancement review involving several institutions would present some challenges, and the key would be to ensure a collaborative and non-judgmental atmosphere in which the value added for the project is clear to all parties.

The GEF Activity Cycle has been affected by the changing nature of the roles and responsibilities of the GEF family members, especially those of the ExAs, which did not initially have direct access to GEF funds but later gained direct access. Before direct access was approved for certain ExAs in 2002, a proposal going through an ExA had to contend with four project cycles (government, GEF, IA, and ExA). This affected time delays. For 11 projects with ExA presence, the average time from pipeline entry to start is 51 months (which is statistically significant). Within this group, six are direct-access ExA projects with an average of 53 months between pipeline entry and start, and five that are jointly implemented with an IA took an average of 50 months. All national counterparts stressed the fact that they did not know the roles and responsibilities of all partners involved (GEF, GEF operational focal point, IA, ExA, STAP, Council, and other donors); this has also been pointed out in many GEF reports and reviews. Since the roles continually change and in part overlap, past efforts to provide guidance have not succeeded in clarifying roles and responsibilities.

Elapsed time also depends on whether more Agencies are involved in the project, although the number of GEF-3 projects implemented jointly by IAs is small. Yet, for 12 joint projects, the difference was statistically significant from other GEF-3 projects, and it appears that some synergies have enabled them to be faster on average (about 29 months from pipeline entry to start). The small size of the universe limits conclusions on their potential advantages. Seven are World Bank-IFC projects, defined for the purposes of this evaluation as joint because specific sets of cycle procedures apply;

five of these are in the climate change area. There are also six UNDP-UNEP FSPs (half of which are led by UNDP, half by UNEP). Some are global or tranched projects without PDF-Bs, which explains the shorter formulation period.

The distinction between the roles of the members of the GEF partnership has been murky. The processes facing the ExAs have been evolving throughout the period due to changes in accessibility and modifications to the Activity Cycle.[12] With the application of direct access and the increasing importance of integrated approaches, the distinctions among Agencies and their comparative advantages (listed in Technical Paper 3, "Assessment of Project Cycles") have become blurred. The evaluation noted several instances during field visits where unhealthy competition had reflected negatively on the GEF image and caused inefficiencies, delays, and—at times—deferral of projects. The factors leading to the competition among Agencies to access the pipeline and allegations of project "poaching" need to be addressed carefully. In this context, the incentive systems created by the fee base have to be considered. This competition will take on a different form with the advent of the RAF.

6. Cost Effectiveness of the GEF Activity Cycle: Is There Value for the Money?

This chapter reviews whether the GEF Activity Cycle ensures sufficient value for the products it delivers, based on an analysis of existing performance indicators and evaluations, an assessment of the inclusion of the GEF operational principles in the cycle, a review of sample project documents, and stakeholder feedback.

As there are no agreed standards in the GEF for the product of each cycle phase—of the concept brief, appraisal comments, and final project document—it was not feasible to conduct a full quality-at-entry assessment or a cost-effectiveness analysis that compares relative expenditures versus outcomes associated with two or more courses of action.[1]

6.1 Activity Cycle and Performance

Given the relatively long GEF Activity Cycle, the evaluation considered the possibility that longer preparation times were resulting in higher quality projects. There are no agreed objective measures of project success in the GEF apart from intended impact, which is project specific. The evaluation used performance indicator ratings as a proxy for *quality*, *success*, and *performance*, as these ratings assess the achievement of both project development objectives and implementation progress. For stakeholders, success is related to elements of producing results and good management, and quality project documents infer that they are well designed and satisfy established requirements, namely the GEF operational principles.

Longer preparation time has not resulted in better projects. The cost effectiveness of the cycle is questionable, given the cycle's length, effort, and productivity. The delays and efforts for GEF projects do not appear to be justified and acceptable because they do not result in projects of corresponding high quality. Given the time and effort expended in the GEF formulation and appraisal and approval phases, one might expect projects produced to be not only good enough, but excellent.

The evaluation analysis shows no relationship between the time spent by project proposals in the Activity Cycle from pipeline entry to project start and subsequent performance ratings either during project implementation or after project completion. This finding has two implications:

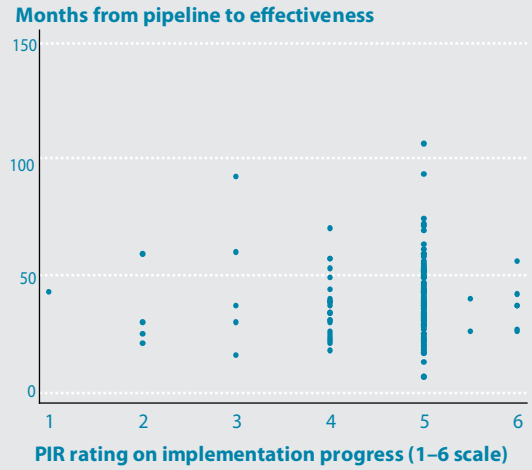
- There is no validation of the premise that weak proposals take longer to formulate and cause delays.
- The additional time proposals spend in the GEF Activity Cycle does not lead to more projects with higher performance ratings.

The long periods of preparation and appraisal and approval cannot be considered cost effective if they make no notable difference to performance.

As shown in figure 6.1, average ratings for implementation progress in project implementation reviews are around 4.8 (between marginally satisfactory and satisfactory), and the elapsed time from pipeline entry to start is widely dispersed compared to an average of 40 months. For outcome ratings from terminal evaluation reviews, the relationship is similar, but the number of projects with sufficient data is too small to provide firm conclusions. Many factors or assumptions may influence the link between elapsed time and project quality, which cannot be firmly established. Questions remain as to whether longer formulation leads to better projects, or if longer formulation implies a more difficult context that might cause lower performance ratings, or if faster formulation leads to higher ratings. Ultimately, if project results are similar regardless of prior effort, the cycle cost effectiveness can be increased by reducing earlier efforts and steps.

Figure 6.1

Correlation between length of time from pipeline entry to project start and PIR ratings



In comparison to performance dimensions for similar projects, the analysis suggests that the additional GEF documentation, review, and approval requirements do not add to the quality of the portfolio. For example, information on portfolio performance indicators for the World Bank's GEF program shows these to be at generally the same levels as for non-GEF Bank programs (see box 6.1).

Box 6.1

World Bank Portfolio Performance Indicators, FY 2006

- **Projects at risk.** 12 percent for GEF; 14 percent Bank-wide
- **Ratings of satisfactory outcome.** 86 percent for closed GEF projects assessed between 2003 and 2006; 82 percent Bank-wide
- **Likelihood of sustainability.** 71 percent for closed GEF projects assessed between 2003 and 2006; 85 percent Bank-wide

Source: World Bank GEF Coordination Team.

In spite of the efforts invested in preparation, GEF projects appear to experience the same design and implementation challenges as other aid projects. Past project performance reviews and GEF annual performance reports indicated several issues regarding project formulation, including overly ambitious and complex design, failure to sufficiently assess the underlying problem or risks, and weak planning for sustainability and replication. The 2004 Program Study for International Waters found that "Inadequate project design has been a problem cited in a number of project midterm and final evaluations" (GEF EO 2004c). The 2005 APR established that only 58 percent of projects comply with GEF Council expectations on M&E arrangements at the point of CEO endorsement. There are also examples of projects proposed for

work program entry that appear to be outside the expected technical area or comparative advantage of a particular Agency.

Cycle cost effectiveness is reduced by the fact that cycle delays tend to cause a number of negative effects. One observation made by a survey respondent captures a widely held view: "As the rules became stricter, the stages from concept development, project preparation, and project appraisal tend to drag, resulting in the withdrawal of good proposals by proponents who could not afford to wait, and lost opportunities for government ownership." The long process in formulation until approval often reduces the quality of the project by making it outdated by project start. The GEF procedures on resubmission in case of changes discourage redesign. One result of delays in appraisal and approval is a gap—often up to 18 months—between the completion of PDF-financed project preparation and the beginning of implementation, with a critical disruption for project staff in recipient countries, as the GEF does not permit the use of resources after agency approval until project start.

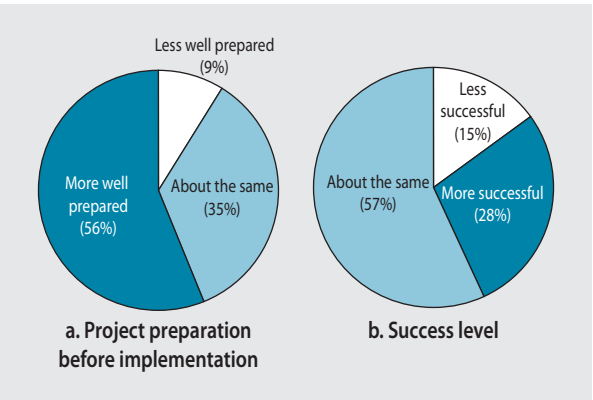
The evaluation's stakeholder survey yielded a variety of perceptions on GEF quality at entry and success. A total of 56 percent of survey respondents believe GEF projects are better prepared before implementation than those of other international agencies, and 35 percent of respondents believe they have the same level of preparation as projects by other international agencies[2] (see figure 6.2a). Regarding project success, 57 percent of respondents believe GEF projects have the same level of success as projects by other international agencies, and 28 percent believe they generally are more successful[3] (see figure 6.2b). Respondents from the GEF Secretariat view GEF projects most favorably of all stakeholder groups: about two-thirds of these respondents, compared to about one-quarter or less of other stakeholder groups, said GEF projects are generally more successful than those by other organizations.[4] Responses regarding GEF project chances of having a significant impact were similarly divergent.[5]

The average GEF allocation for FSPs across replenishment periods has remained relatively constant ($7.9 million across periods),[6] while the elapsed time for FSPs has increased. Survey views on project budgets show more uncertainty than for other questions, with a 10 percent difference between those who think GEF projects have budgets *similar* (43 percent) to those for similar projects, and those who think they have *larger* budgets (33 percent). Almost one-fourth of respondents think GEF projects have *smaller* budgets.

A cycle that produces similar or less results with the same or more resources is not cost effective. Sixty percent of total respondents think that the implementation period of GEF projects has a similar length to that of other agencies. Around 66 percent of total respondents deem GEF projects to require more resources to prepare and approve than those of other international agencies.[7]

Figure 6.2

Survey respondent views on GEF project preparation and success versus similar international agency projects



The project appraisal function is key to ensuring quality of project documentation in terms of good design and inclusion of the GEF operational principles. All GEF projects are reviewed at different stages of preparation to ensure compliance with Council requirements. The STAP reviewers examine the project proposal documents before work program inclusion, the Council reviews proposals at work program inclusion, and the GEF Secretariat reviews projects throughout the process. In addition, project documents are to be shared for comments with other partner Agencies and the convention secretariats, and are subject to regular internal Agency appraisal.

The evaluation found that these numerous appraisal functions do not lead to an increased likelihood of a high project rating, and in fact tend to counteract a sense of accountability and ownership on the part of the stakeholders. Project proponents indicated consistently to the evaluation that they expect a number of comments—many not related to local situations—regardless of how good the project document is. Additional appraisal bodies do not appear to serve the promotion of quality, as views are often conflicting and overlapping and difficult to integrate in a coherent manner. Ultimately, extensive formulation requirements, periodic review points, and appraisal and approval by numerous bodies do not assure quality at entry.

Qualitative assessments show that considerable energy is spent in obtaining quality on paper but with limited value added in substantive terms. Such "paper evidence" includes the required annex on incremental cost analysis (reviewed in the Evaluation of Incremental Cost Assessment; see GEF EO 2007b) and the quest for cofinancing letters. The evaluation visited several project proponents who even after obtaining 22 or more letters still had not had their projects approved.

Several criticisms of project document reviews were heard during the field visits. One interviewee said that "Some comments received for the proposal and project appraisal from the GEF Secretariat were more related to the writing style and language and not to the content or substance of the proposal." Another noted that "the ideas received are often completely out of place." A third stakeholder pointed out that "It seems that GEF projects…have to go back and forth to get the right words." A universal complaint is that this focus on correct GEF language calls for the use of external experts—termed "GEF gurus" by some—which creates a barrier to national ownership and drivenness.

The Joint Evaluation reviewed a sample of projects from the June 2006 work program to determine how reviews addressed inclusion of the GEF operational principles. Cost effectiveness, sustainability, and public participation are the three principles most queried in proposal review, both at pipeline and work program entry. The evaluation found that not all appraisal comments were critical and innovative; several were merely descriptive or commented on formats or items that were seen as acceptable. On a positive note, reviewers provided similar comments about requests for cofinancing and avoiding duplication or overlap of projects.

There is no apparent work distribution or comparative advantage exercised in the review function; all parties are free to comment on any aspect of the project regardless of whether that aspect is within their purview. For example, the 2005 APR found that for the projects that do not meet the M&E expectations based on the minimum requirements in the M&E Policy, at least one weakness in the project's M&E plan had been pointed out by the GEF Council in 68 percent of instances, by the GEF Secretariat in 48 percent, and by the STAP reviewers in 39 percent. For the other GEF prin-

ciples, clear criteria for standards are not available and quality in documents and assessment therefore cannot be unequivocally established. There is room for streamlining in the appraisal function to avoid overlap and duplication, promote accountability, and ensure relevance.

There are mixed findings on the review function to ensure project technical quality or viability by the GEF STAP (see box 6.2). In general, the review comments may have the potential to improve projects' quality and scientific innovation, but the STAP roster review mechanism currently functions more as just another appraisal rather than providing constructive support for good design in a sense of partnership. As with the GEF principles, no clear assessment criteria have been established with regard to perceptions of technical quality or viability.

The GEF Council has responded to growing concerns about the length and complexity of the Activity Cycle by encouraging simplification, better coordination, and the imposition of strict time limits. However, it has not yet indicated that the technical standards of project preparation and appraisal and approval should be relaxed or the barriers to entry lowered to offset the increasing complexity of and demands on the cycle.

In sum, GEF internal cost effectiveness appears to be decreasing, since the cycle now takes more time and effort than it used to with similar budgets, results, and scope. There is room for gains in achieving the same or better results with less resources of money and time.

Box 6.2

Mixed Stakeholder Perceptions of STAP Reviews

- The STAP process is very valuable, but is left too late in the cycle and is given too little time and emphasis. It is unrealistic to expect a reviewer to digest 250 to 300 pages of text and tables and then write a thoughtful and comprehensive review all within two days.
- The STAP timing in the process is often within weeks of a submission deadline to the next stage in the cycle, making the STAP less effective and any comments and suggestions received too late to be helpful. Since some of the STAP reviewers do not have much experience with GEF projects, they tend to offer quite general lessons. The STAP is underutilized because it is too formal and not effective.
- The STAP review directions, including terms of reference (TOR) and questionnaire, span 11 pages. This process could be simplified to (1) locate an expert on the roster, (2) use available sample TORs, (3) prepare a TOR for the selected reviewer, and (4) contact the reviewer and determine his or her availability and contractual requirements.
- Have a two-stage STAP process. Stage 1 would be used at the inception phase to ensure key GEF principles and elements of good project design are being incorporated. This gives the STAP reviewer a chance to provide recommendations and suggestions to help the design team avoid common mistakes and to build a stronger and more effective project design. The second stage would be a review of the draft project to identify any potential problems and any areas where the project design could still be strengthened.

6.2 The GEF Operational Principles and Value Added

Norms and criteria indicate goals, expectations, and procedures assigned to the GEF cycle, projects, and modalities. The specific norms used are the 10 GEF operational principles, which have been emphasized consistently since the GEF restructuring and establishment of operational strategies in 1995.

The inclusion of the GEF operational principles in projects takes additional effort but cannot explain the cycle elapsed time. Inclusion of GEF principles is spread out across the cycle,

especially in the early phases; this does not contribute to a clear value added of each cycle phase.

In interviews, GEF stakeholders generally agreed that the GEF operational principles are a positive indication of quality, along with overall sound project design reflecting local circumstances and technical options. However, views are diverse as to when and how the principles are best addressed in the cycle, the additional efforts involved, and their specific usefulness. Table 6.1 presents the survey responses on the eight operational principles relevant to the GEF cycle: principles 1 and 8 on COP guidance and country eligibility are excluded, as these are preconditions for the cycle.

The principle that engages the views of stakeholders most strongly is the *incremental costs for global environmental benefits*; they see this as unique to the GEF, requiring the most resources, and not being very useful. *Full disclosure of nonconfidential information* is seen to contribute the least to the potential success of GEF projects but requires the least resources. As can be expected, *country ownership* and *public participation* are seen to contribute most to the potential success of GEF projects.

Factors Influencing Inclusion of Operational Principles

Mapping Agency cycle steps in addressing GEF requirements revealed a number of factors that influence the inclusion of the GEF operational principles in the cycle.

- **Mainstreaming into Agency cycles.** Of the Agencies that submitted information on the principles, the World Bank and ADB have more procedures that support their achievement, particularly for country ownership, M&E, cost effectiveness, and flexibility. UNDP also submitted information for most phases but did not identify specific procedures that address the operational principles. In particular, the evaluation identified design elements that already form part of Agencies' and governments' regular project design process: incorporation of lessons learned; project consistency with national or other plans and priorities; identification of major stakeholders and planning for their involvement, including safeguards for marginal groups; principles and policies for national ownership, stakeholder participation, and disclosure; and analysis of likely sustainability and risks.

Table 6.1

Survey responses on GEF operational principles

Principle	Contributes least to success	Contributes most to success	Requires most resources	Requires least resources
Incremental cost	27	6	32	5
Cost effectiveness	11	4	8	5
Country ownership	4	32	8	27
Flexibility	8	10	4	13
Full disclosure	30	2	3	28
Public participation	5	25	19	7
Catalytic role	11	12	6	7
Monitoring and evaluation	4	10	20	8

- **Unfavorable timing of GEF requirements.** There is a general match between GEF requirements and Agencies' views of their importance for projects, but not in their timing. Requirements have been front-loaded in the cycle, but are also repeated for later phases (see chapter 3). Specifically, this applies to incremental costs, cost effectiveness with financing plan and cofinancing, catalytic effect with sustainability, and—to some degree—public participation. For some of these principles, their requirement comes too early in the concept phase, before Agencies and project proponents have a firm idea of their content. Subsequently, GEF requires more detail in later phases for work program entry and CEO endorsement. Delays are caused by the extra efforts required for GEF requirements, and more so by the back-and-forth efforts of retrofitting further detail to these early requirements. The Agencies view three principles as being relatively unimportant for inclusion at the concept stage: for incremental costs, cost effectiveness, and M&E, suggesting that these are factors that should come into play later in project development. The stakeholders would appreciate agreement as early as possible as to whether a project is eligible for GEF funding or not. Little benefit appears to result from the current practice of quantitative application of the incremental cost principle, particularly as there are considerable costs inherent in carrying out the analysis.
- **Ambiguity of certain requirements.** The GEF does not clearly and unambiguously articulate the various expectations and definitions of the 10 operational principles, which makes their application difficult for project proponents. In particular, flexibility, cost effectiveness, and full disclosure have vague requirements. The 2002 PPR pointed out that "Notions such as 'adaptive management,' 'sustainability' and 'participation' are frequently professed but are often not fully put into practice" (GEF 2003h).

In sum, the principles are not addressed so systematically for all projects as to explain elapsed time in the Activity Cycle. The GEF would have a clearer perception of the purpose and value of each cycle phase by concentrating operational principle requirements to specific points in time. Such concentration would not only add value, but would also facilitate transparent review and appraisal of the principles.

Issues to Address in Ensuring Inclusion of the Operational Principles

There are a number of issues to address to ensure greater inclusion of the principles in the cycle; these are discussed below for each principle. Survey comments on cycle strengths and weaknesses are featured in box 6.3.

Incremental Cost

Incremental cost assessment and reporting for global environmental benefits represents additional efforts to stakeholders in the cycle, without perceived advantages.[8] The incremental cost analysis is an additional step that causes extra efforts in the cycle, although it is only relevant in the design stage. The analysis itself does not take much time—perhaps a day or so for an experienced consultant to write the incremental cost annex—but because it takes place at the concept phase, it is not well integrated into the project's design. The evaluation found that the difficulties in incremental cost analysis have been exacerbated for specific focal areas or regions, such as land degradation in Africa, and for the new Executing Agencies. The main delay in time is due to the back-and-forth negotiation with the GEF Secretariat over project eligibility and justification of the incrementality.

Box 6.3

Survey Comments on Strengths and Weaknesses of the GEF Activity Cycle

Strengths

- GEF projects create a framework for cooperation in the country between national and international institutions. The GEF funds work as seed money for leveraging funds for addressing emerging challenges. The projects initiated by the GEF have high ratings and strong ownership background. The funds provided by the GEF increase the position of environmental benefits in shaping national development strategies.
- The PDF phase provides an important opportunity for developing partnerships and identifying the strengths and weaknesses of potential partner agencies. The identification phase is an important point in the cycle which has been strengthened over the years.
- So-called "project briefs" in fact turn out to be detailed project documents. Very little project preparation work is required after the project brief is prepared.
- One strength is the review processes with people who are experienced in the topic, have knowledge of other experiences worldwide, and are therefore able to guide the project elaboration and work planning process. The GEF regional coordinators are usually extraordinarily helpful and supportive, and help in problem solving and technical guidance and act as good sounding boards.
- The greatest strength lies in project identification and preparation. Though a very complicated and lengthy process, it allows discussion of the idea in detail and from all perspectives, taking into consideration potential risks, and identifying and establishing milestones, indicators of success, and so on.
- In the project preparation, the following elements are crucial for the success and impact of the initiative: sense of ownership; identification of the real problems; mobilization and alignment of the required resources, partnerships, and capacities for implementation. Therein lies the greatest strength of the GEF Activity Cycle.
- The Activity Cycle encourages the proponent to carry out a systematic baseline analysis and identify synergistic relationships with other relevant ongoing initiatives.

Weaknesses

- The system very often fails to recognize priorities, giving more importance to a perceived sense of political fairness or justice under which every country or client should get a little bit. It would be more transparent to focus on where the impact can be the highest, even if this means putting all resources in one area or country.
- The duplication in terminology is problematic. (Is a PDF-B document the same as a concept note? Is work program entry the same as effectiveness? Is a facility the same as a fund? Is a council the same as a board?) In addition, there should be a simplified order of activities, such as: write concept note; submit to regional coordinator; make changes as per regional coordinator's suggestions; make final submission (for pipeline entry/preparation); and so on.
- There are so many steps that teams often get frustrated and want to give up.
- The length and excessive number of procedures and steps within the cycle is making GEF financing increasingly irrelevant. It takes so long to move from identification to implementation that project design can be outdated when it finally starts, or the proponents have succeeded in finding an alternative and speedier source of funding.
- There are too many review points. A project can end up being reviewed and amended by different stakeholders, Agencies, STAP, GEF Secretariat, and GEF Council to the point where it needs to be rewritten six or seven times or even more (often with contradictory reviews). More ongoing contact with GEF Secretariat "gatekeepers" during the development process would help ensure strong eligibility by the time of submission. Standardized and simplified presentation (template) requirements would also avoid a lot of disagreement over the "readiness" of a draft.

The incremental cost concept represents a trade-off with national ownership, as it not based on national or project needs, provides little sense of power in negotiation or flexibility to stakeholders, and is so complex that it has to be led by Agency experts or international consultants. When local stakeholders attempt to undertake the analysis, feedback to the evaluation indicated that it could take up to a month or more. The concept of global benefits is well understood, but local stakeholders believe that a negotiated funding share can be arrived at by a simpler approach that reflects both GEF global environmental benefits and local needs but involves them more.

The step of identifying GEF assistance is crucial to a smooth project development process. The difficulty in determining GEF eligibility ("GEF-ability") is a key factor in delays, dropped project proposals, and wasted efforts that could be put to better use for the global environment. After more than a decade, the GEF has developed considerable experience in determining whether a project proposal has incremental components. This knowledge is not easily accessible, however, and is open to individual interpretation. In effect, proposed projects are subject to incremental justification, strategic priorities, other preferences applied by the GEF Secretariat to shape the portfolio, and financial resource limitations. These crucial elements would need to be judged on relatively limited information; otherwise the identification phase becomes an appraisal phase.

Country Ownership

The Activity Cycle represents a disincentive to national ownership and drivenness, although some modalities are more successful than others in generating country ownership by engaging stakeholders. As for incremental costs, fulfillment of many GEF requirements—and the technical nature of a project itself—demands external experts and can make local participation more challenging. The GEF Activity Cycle is centralized, with decisions driven by the GEF Secretariat, GEF Council, and Agency headquarters, with no transparent feedback or opportunity for engagement of national stakeholders. An additional challenge is that, in the GEF, national ownership has in practice been defined as focal point endorsement; broad national ownership and engagement thus cannot be assumed. National ownership is a factor in successful projects but not nearly important enough in practice for GEF projects. Some modalities—particularly the Small Grants Programme, but also national capacity self-assessment and other enabling activities—appear more nationally owned. The *UNEP 2004 Annual Evaluation Report* states that "The implementation of many environmental projects is delayed from the outset by Governments because of complexities in the project design and a lack of consistency between such projects and national priorities" (UNEP 2005). These challenges are likely to become more pronounced in future. As pointed out in the Costa Rica Country Portfolio Evaluation, "there are no GEF-related participatory mechanisms in operation at the national level for analyzing the country's priorities based on requirements arising from the implementation of the RAF" (GEF EO 2007c).

> **"The implementation of the RAF is based on the assumption that countries have the capacity to implement it. The GEF Council and Secretariat haven't done their homework to study if the capacity is there at the national level, especially with the focal points. They have not addressed the possible consequences."—Interviewee in Macedonia**

Public Participation

Public participation is applied by all Agencies as a vehicle for relevance, but prior reports by the GEF Evaluation Office have pointed to weaknesses in stakeholder involvement for GEF projects. Examples were found of both good engagement in the PDF phase and of limited involvement. Given the long elapsed time, project proponents are conscious of the need to avoid further delays, which may serve as a disincentive to extensive beneficiary outreach. As is well known, public participation and the building of country ownership can require significant time and effort; however, this was not seen as a challenge by the survey respondents, of whom 27 percent believe that ownership requires the least resources of the operational principles.

Flexibility

There is no clear definition of or guidance regarding flexibility in the GEF cycle; this inherent lack of flexibility exacerbates the need to continually adapt requirements. In one sense, the GEF has been very flexible in cycle management, in terms of adopting and modifying requirements on a continuing basis. However, the additive guidance has not helped resolve problems with the cycle. There is very limited flexibility in the GEF procedures in terms of providing options or alternative choices within each modality (see box 6.4 for an exception). In field visits, more flexibility was one of the most frequently heard requests, particularly for cofinancing letters, incremental cost analysis, budget allocations and possible changes, dates for submission of projects to the GEF, access to PDF resources, exception reporting, project extensions or follow-on phases, possibility of mainstreaming into Agency systems, and tailoring to national needs. The 2001 PPR found that

> The lack of projects' flexibility to adapt to changing circumstances appears as a major issue. It is causing difficulties and possibly failures in GEF projects. Changes often occur, particularly given the long gestation periods of GEF projects, that require the ability to modify project design if the global objective is to be met (GEF 2002a).

Box 6.4

Flexibility in Macedonia

An interviewee in Macedonia explained the flexibility demonstrated by the local Small Grants Programme: "The SGP has flexible guidelines, criteria, and forms for submission of project concepts and project proposals. NGOs can fill in the forms either in handwriting, typed, or using a PC, using photos or flip charts. They can send them either via postal mail or email, or can personally bring them into the GEF SGP Macedonia office."

Cost Effectiveness

"Adaptive management" is a GEF term that is embedded in Agency systems. It has not been supported in practice with incentives or practical parameters by the GEF. Given the long delays in formulation, projects are often outdated once they start, and restructuring is required. The evaluation found that information on such changes is not easily available, which is understandable due to the deterrent of having to undergo the cycle again. Flexibility is a key precondition for cost effectiveness by allowing project management to undertake dynamic adjustments of strategies as called for by evolving circumstances. The belated and unclear definition of cost effectiveness has not helped application of this principle.[9]

Full Disclosure

Full disclosure of information has been uneven, and its potential is untapped in benefiting the Activity Cycle. The Agencies all have established policies on public disclosure of information. However, it is not possible to estab-

lish what is actually disclosed by each project, although several Agencies and projects have developed and maintain Web sites. The main challenge in this area lies with the GEF Secretariat's central information management. The Costa Rica Country Portfolio Evaluation recommended reinforcing the effort to improve transparency in the GEF on project proposals in the approval process, and concluded that the information mechanisms in the GEF—notably the GEF Web site—need to be improved to make essential operational information available at the national level (GEF EO 2007c). The disclosure of GEF Council documentation and of project documents is commendable and beyond the practice of many Agencies. Nevertheless, *available* information does not mean *accessible* information, and much GEF information is not made public. The lack of transparency specifically pertains to

- overall GEF policies and strategies—such as focal area criteria on what types of projects will be funded (now mostly unknown to outsiders and not made public), RAF allocations, and policies on emerging issues such as adaptation and the Clean Development Mechanism—and policies on disbursement modalities;
- operational policies and procedures—which procedures apply to which types of projects, definitions and language, the GEF "Operations Manual" (which is currently limited to the GEF Secretariat), and access to special funds;
- project management—project status, implementation problems, actual expenditures, decisions made, accountability;
- results and progress—in particular, it is indispensable, as a management system of use to all parties involved, to be able to track the exact progress of a project through the cycle beyond GEF decision points only.

There are substantial transaction costs and delays due to lack of clarity on GEF policies and priorities, as well as to the multiple partner service standards, interests, and procedures. The MSP evaluation pointed out that "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" (GEF EO 2001). This situation still pertains. The Costa Rica Country Portfolio Evaluation highlights the difficulties at the national level to follow the project approval process and asks the GEF Council to reiterate its 2004 decision that the transparency of the GEF project approval process be increased (GEF EO 2007c). Specific stakeholders such as the private sector are particularly affected. The GEF private sector study concluded that "The GEF Secretariat and IAs should adopt clearer business norms for providing information to project proponents and other stakeholders" (GEF EO 2004e). Stakeholders should not have to depend on the Agencies to disclose and communicate GEF policies, which now seems to be the case. Agencies have themselves developed internal guidebooks on how to develop GEF projects for want of such guidance from the GEF Secretariat.

Monitoring and Evaluation

The GEF has been particularly vigilant in encouraging monitoring and evaluation in recent years and in addressing weaknesses. Specifically, the quality of terminal evaluations has been enhanced. The 2004 APR concluded, however, that a substantial proportion (58 percent) of projects does not respond to the Council expectations on M&E arrangements at CEO endorsement. Challenges remain in portfolio codification and monitoring, and in knowledge sharing of lessons learned.

Catalytic Role

The principle of catalytic effect and leveraging has mainly been defined as a requirement for cofinancing letters, which is causing delays in the cycle. Of all the principles, catalytic effect is arguably one with direct implications for long-term impact, yet it is the most nebulous of the principles and is not clearly defined. This operational principle covers two elements: catalytic effect and financial leveraging. Yet there is no evident link between catalytic effect—toward project end or after—and cofinancing before or during the project.

In itself, the principle of catalytic effect does not seem to represent additional requirements in the Activity Cycle. The requirement for cofinancing, on the other hand, is seen by proponents as an inflexible obstacle; it is difficult to implement because of unclear guidance on the ratio of cofinancing required by the GEF Secretariat and on the baseline analysis for incremental costs. Several comments made by stakeholders during field visits noted that the cofinancing requirement as currently applied is adding significantly to delays while not adding the expected value to the project. In particular, the requirement for cofinancing letters is seen as bureaucratic and causes delays in the cycle. Such letters are not common practice for other funders, and many donors and governments may be interested in supporting the project without being prepared to provide letters on GEF request. Two project proponents interviewed in Africa indicated that they had obtained over 20 letters each, and still their projects were not approved. This requirement particularly affects Agencies that do not have large resources of their own for blended projects.

The amount of cofinancing does not speed proposals through the Activity Cycle. The average cofinance ratio for FSPs between 1991 and 2005 was 3.08 (implying that $3.08 is promised for every promised $1.00 of GEF allocation).[10] This promised amount has been increasing; in GEF-3, it is $3.87. The cofinance ratio is highest for Agency-approved projects that have not yet started or are just beginning implementation (ratio of 3.97 for 96 FSPs). The 2005 APR confirmed that the GEF portfolio is able to realize almost all cofinancing promised at project inception, although there are differences in the level of achievement based on geographic area and project size. The fact that the GEF has, over time, lost much of its relative importance within the totality of environmental activities in many countries also points to the reduced valued added by the cofinancing principle as currently applied.

In addition, the requirements for sustainability have been associated with this principle and have proven difficult to address at the concept stage. Furthermore, the traditional sustainability definition of "continued project benefits" does not apply well to measure replication. The 2004 Climate Change Program Study found that

> Replication of project results is not well planned or monitored. In general, GEF projects have not been operational long enough to gauge how well their replication is providing global environmental benefits. Still, most projects contain few provisions or plans for achieving or monitoring replication" (GEF EO 2004b).

The upcoming evaluation by the Evaluation Office should yield more information on the GEF catalytic role.

7. Efficiency and Effectiveness of the GEF Modalities

This chapter covers variations on and complements to the main GEF modality, the full-size project, such as project development facilities, medium-size projects, and enabling activities. Table 7.1 presents an overview of the various GEF modalities.

7.1 Modalities and the International Donor Community

Modalities are specific mechanisms of or approaches to client interaction that result in products or services. In the GEF context, modalities are mechanisms by which the GEF delivers assistance to its partner countries; these are mapped onto aid instruments.[1]

There is an increasing perception in the international arena that new aid strategies that move away from project-based models of aid disbursement need to be developed and adopted. Various agencies have, individually and together, emphasized the need to develop more efficient, effective, country-driven, coherent, and participatory aid disbursement support. Consequently, bilateral and multilateral aid donors have shifted away from traditional project support and toward such programmatic approaches as un-earmarked general budget support. Such support represents 20 percent of total overseas development funding for the United Kingdom; the Netherlands, Sweden, and Denmark are also beginning to devote significant portions of their bilateral aid to general budget support. Since the Cotonou Agreement of 2000, the European Commission has committed to allocating an increasing proportion of its development cooperation in the form of budgetary support. Other multilateral agencies such as the World Bank, IDB, and ADB are similarly redesigning their lending. Country ownership and country management are important features in discussions on any new aid delivery modalities in the international donor community.

There is a disconnect in the definition and concept of *modalities* between the perceptions of the overall aid community and GEF practice. GEF funds have traditionally been disbursed primarily on a by-project basis. This approach stems from the post–World War II orientation, when projects were used as the main vehicle for concessional loan and grant aid to developing countries, driven by a belief that the principal constraint to development was a lack of finance and that projects were the most efficient way to deliver capital investment. Thus, in the GEF, delivery modalities reflect variations on the project approach, subject to specific cycle requirements.

In recent years, the GEF has seen a proliferation of new modalities, including special funds, as well as new and overlapping terms and practices for existing modalities, leading to some confusion among stakeholders. In the GEF pilot

Table 7.1

Overview of GEF project modalities

Modality	Variations	Other
FSP	• Follow-on projects • Tranched projects (types I and II) • Phased projects **Combinations** Strategic partnerships • International Waters Investment Fund • Land degradation country partnership programs Enabling activities under nonexpedited procedures • National capacity self-assessments > $200,000 • National adaptation programs of action > $200,000 • Enabling activities > $450,000 (or $500,000 for POPs) • Enabling activity add-ons ($100,000) for biodiversity and climate change Operational approach to adaptation) Targeted research	• Small Grants Programme • Support Programme for National Capacity Self-Assessments • Country Support Program for focal points and Council members • GEF National Consultative Dialogue Initiative
MSP	• Operational approach to adaptation • Targeted research	
PDF	• PDF-A ≤ $25,000 for FSPs and ≤ $50,000 for MSPs • PDF-B ≤ $350,000 (country project) and ≤ $700,000 (regional or global project) • PDF-C ≤ $1 million	
Enabling activity	Enabling activities under expedited procedures: • National capacity self-assessments ≤ $200,000 • National adaptation programs of action ≤ $200,000 • Enabling activities ≤ $350,000 for biodiversity and climate change (or $500,000 for POPs) • Enabling activity add-ons ≤ $100,000 for biodiversity and climate change Enabling activity add-ons < $100,000 Short-term response measures National capacity self-assessments Stand-alone capacity-building projects	Not GEF Trust Fund • Least Developed Country Fund • National adaptation programs of action funded under Least Developed Country Fund for ≤ $200,000 are expedited • Special Climate Change Fund • Adaptation Fund

phase, the GEF had only one modality: projects, later called "regular projects" and "full-size projects." Over the course of the next decade, however, the GEF developed a variety of modalities to deliver resources to countries. All modalities have specific requirements or conditions that result in related projects being managed in different ways. Today, the GEF has about 14 main modalities with variations, all based on the single project mode.

The evaluation found that this growth in different ways of doing business is caused by the

inability of the main modality—the FSP—to dynamically deliver a desired range of support or address specific client needs. For example, the MSP modality was explicitly developed in response to concerns regarding the speed of developing GEF regular projects and access to GEF resources by a broader range of project proposers. The expansion of FSP variations such as phased projects, umbrella projects, and programmatic approaches also stems from these concerns.

Countries need the GEF to facilitate long-term vision and programming in line with the nature of global environmental benefits, the Resource Allocation Framework, donor harmonization practices, and country priorities. Exemplifying the desire for such long-term support, country visits and stakeholder consultations revealed strong demand for programmatic frameworks, umbrella projects, and tranched and phased projects.

Respondents to the Joint Evaluation's survey have the most experience with PDFs (72 percent, 240 respondents); this familiarity reflects the emphasis placed on project development by the GEF Activity Cycle. This was closely followed by experience with FSPs and MSPs—71 percent (238 respondents) and 70 percent (234) of total respondents, respectively.[2]

Based on the survey and interviews, GEF stakeholders believe that the main characteristic of a successful modality is cost effectiveness in project development and delivery. A modality should

- require an appropriate amount of time for project design and approval;
- allow for an appropriate scope of project goals and objectives, with a good relationship between complexity of design and scope of goals;
- take account of capacity levels for implementation and national or local circumstances, be flexible, and allow for good use of adaptive management;
- provide an appropriate time frame and resources to address environmental challenges successfully and promote underlying goals, such as sustainability and replication.

Table 7.2 highlights perceived strengths and weaknesses of the main modalities, as derived from the survey and field visits.

7.2 Project Development Facilities

The cost effectiveness of project preparation funding requires further analysis. The use of PDF funds to prepare both full- and medium-size GEF projects has grown in both relative and absolute terms. Mirroring the growth in PDFs has been a declining preference for FSPs with no PDF. A significant proportion of PDFs spend a relatively long period of time being implemented, and GEF information systems are currently unable to either track the progress (or lack thereof) of PDFs through the Activity Cycle or measure their results. Thus, the value of the PDF contribution to developing GEF projects is difficult to assess, although the analysis shows no relationship between the presence of PDF funding and subsequent project performance ratings.

The project development facility was established in February 1995, with three blocks (PDF-A, PDF-B, and PDF-C). It was reviewed the following year in March 1996 and has not been evaluated since. The

"PDF resources are usually spent on things that are needed to develop a project but that are not necessarily useful should the project not take off. It would be very nice if each component of a PDF could also become a stand-alone result"—Survey respondent

Table 7.2

Generic SWOT analysis of modalities

Modality	Strengths	Weaknesses
General	• Flexibility in size of operations/tailoring • Independent funding • Scope of integrating environmental issues within the development agenda	• Too concentrated on the project idea • Too much emphasis on freestanding capacity building • Limited options; not available to all Agencies • Doesn't respond to private sector needs
FSP	• Time and resources to address root causes • Support policy and institutional interventions • Support national capacity-building efforts • A variety of proponents can participate	• Long project cycle • Too ambitious in scope • Follow-up on implementation is spotty
MSP	• Expedited process • Smaller projects have less bureaucracy • Implemented through NGOs and other smaller agencies closer to the field	• As complicated and time consuming to process small efforts as big ones • Getting matching funds or trying to blend small supervision budgets, yet demands are equal to those of larger projects
Enabling activity and NCSA	• Can help governments identify their priorities for the environment and links with development • Ensure obligations under the conventions • Less stringent cofinancing for NCSA	• Have little or no impact on countries' development strategies and action plans • Too oriented toward specialized consultants and not enough capacity building for sustainability
PDF		• Hard to internalize preparation money in countries • Inadequate resources to fund projects
PDF-A	• Useful for concept development • Useful for IAs • Flexible use/access to funds	• Not useful to countries • Not easily accessible to ExAs • PDF amount is small relative to MSP funds • Fund limit is either too high or too low • Transparency issues: process not clear to countries • Funds used mainly for international consultants • Lack of ownership during the preparatory phase: consultants are fully in charge • Procedures complex for results, why a brief?
PDF-B	• Useful for project document development • Useful for FSPs • Useful for incremental cost analysis • Used for national expertise as well • Influences project design in a phase where funding is hard to get • Essential to develop proposals that meet all GEF requirements • Brings stakeholders on board	• PDF resources usually spent on items that are needed to develop a project but that are not necessarily useful should the project not take off • Gap between PDF end and project start • Lack of flexibility in use of funds • Procedures complex for ExAs • Not fully used to develop M&E frameworks • Long process/inefficiencies in approval? • Transparency issues?
PDF-C	• Useful for very complex projects?	• Limited use, mainly by World Bank • Complex procedures and access to funds

PDF emanated from the recommendations of the evaluation of the GEF pilot phase, during which project preparation was funded from two parallel project preparation facilities under the GEF and the administrative budget of the IAs.[3]

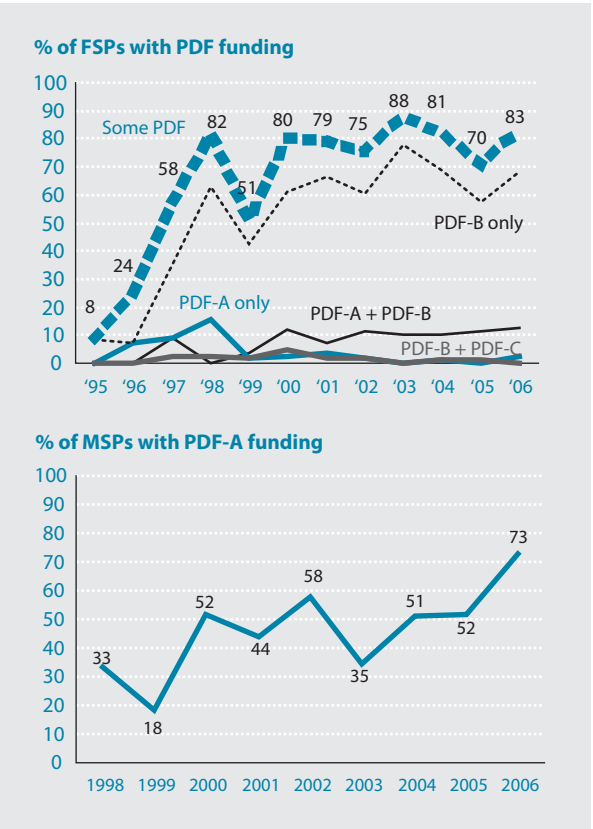
Growth in PDFs

Aggregate PDF resources amount to $138 million for 420 FSPs and 164 MSPs, with 97 percent of these resources allocated for FSPs. The breakdown by block is $5.76 million for PDF-A, $125 million for PDF-B, and $7.23 million for PDF-C. A total of 54 percent of all projects and proposals have or have had a PDF component—1,044 of the total 1,926.[4] As shown in figure 7.1, there has been a steady annual increase for FSPs in the use of PDF-B funds, and in PDF-A funds for MSPs (although the figure shows a significant increase for FY 2006, because the data cover only part of that year, the increase is likely to be less steep than indicated). A total of 71 percent of full- and medium-size projects approved during GEF-3 had some PDF component, up from 60 percent in GEF-2 and 46 percent in GEF-1. For FSPs, the heavy dotted line in figure 7.1 shows the presence of aggregated PDF components, and closely reflects the PDF-B increase. The same trends are noted for MSPs in PDF-A use.

The average allocation across GEF-1 and GEF-2 was $281,000 (191 FSPs); this increased to $345,000 in GEF-3 (202 FSPs). During GEF-3, 78 percent of approved projects with PDF-A funding accessed the $25,000 ceiling for PDF-A development (126 MSPs and 54 FSPs, for an average of $24,900).[5] Interviewees from Ecuador pointed to the fixed amounts as a factor in this "maxing out" of PDF funding: "A PDF-A nowadays can do only half of what it could do five years ago just because of inflation." The IAs concur, indicating in 1996 that the $25,000 ceiling for PDF-A "is far too low and, as a result, does not provide adequate resources to meet Council's expectations" (GEF 1996a). Interestingly, across all replenishment periods, if the project had a PDF-A component first, the average PDF-B allocation is also higher, at $357,000 (50 FSPs).

Figure 7.1

Use of PDF components by FSPs and MSPs over time



A number of procedural factors are likely behind the increasing use of PDFs, such as tougher formulation requirements for projects. The growth in PDFs cannot be ascribed to any one dominant cause, even though stakeholders indicate that this growth is driven by the need to fortify projects for the increasing complexity of the Activity Cycle and requirements for better quality at entry of projects. One interviewee noted, "In the past, we could maybe develop a project ourselves, but that has become impossible without support."

Approved PDF funding falls at the end of each GEF replenishment period, when less money is available (see years 1998, 2002, and 2006 in figure 7.1); this indicates a relationship between PDF use and GEF resources.

PDF use has not grown in all areas. Multi-country projects show less PDF use; such projects are subject to additional criteria for PDF funding: specifically, each participating country must endorse and be eligible to receive funding; and funding should be provided for in-country costs in eligible recipient countries, and cover travel and subsistence costs of recipient country experts to consultations associated with the development of a regional or global program. PDF-C proposals need prior approval by the GEF Council, and are already required to be well developed for work program inclusion. Such funding for project development appears too late in the cycle and involves many steps and requirements. Box 7.1 highlights other circumstances of declining PDF use.

Use of PDFs

There is no systematic record in the GEF information system of the actual content or activities of PDFs, beyond the preparation of the project document. PDFs are generally seen as useful for focusing thinking on a project's goals and strategies. PDF-As can be useful to develop a concept brief or to begin formulation for an MSP, but are generally inadequate for full project development. Some stakeholders were of the opinion that PDF-Bs are used for pilot activities or capacity building beyond consultations and technical work to develop the full project document. Interestingly, the evaluation found that the time taken for corporate appraisal and approval leads to consistent gaps between PDF end and project start, which in turn prompts project proponents to stretch the PDF activities over time. While not originally intended, this is a legitimate strategy for maintaining momentum and local engagement.

The originally envisaged progression through PDF-A for concept to PDF-B for formulation is not working: only 7 percent of approved FSPs have taken this route, and only one project has made the full progression from PDF-A to PDF-B and

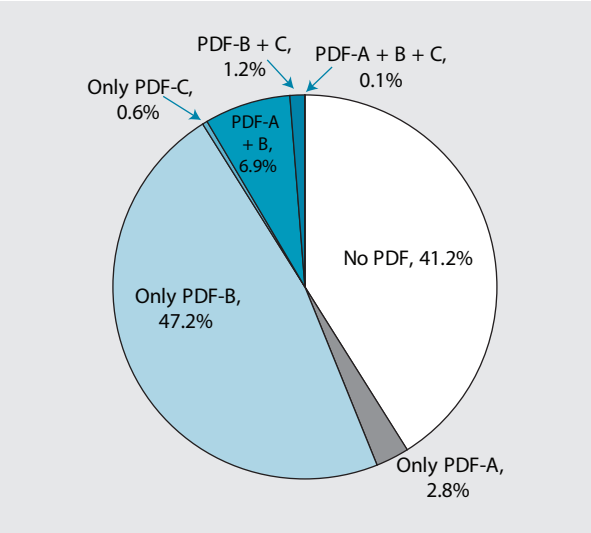
Box 7.1

Disappearing Breeds among Projects Approved for PDF Funding

- **Only PDF-As for FSPs.** Twenty FSPs (3 percent) have just PDF-As, of which half are older GEF-1 projects and 14 are UNDP projects. Only six such projects have been approved since 2000.
- **PDF-Bs for MSPs.** Accounting for less than 1 percent of the PDF choice for MSPs, these exceptions are 3 UNEP-UNDP projects—Programme for Phasing Out Ozone-Depleting Substances in Tajikistan, Turkmenistan, and Estonia—which use PDF-B components.
- **PDF-Cs.** Of the 14 PDF-C allocations, 6 each were approved in GEF-1 and GEF-2; only 2 were made in GEF-3 (in Brazil and Ecuador). Three projects have been completed, three were canceled, four are active, and the remaining four are at various stages of approval. Nine projects used PDF-B and PFD-C resources, four used just PDF-C resources; the remaining FSP used PDF-A, -B, and -C funding. Because PDF-C funding is intended for the technical design of very large, complex projects that require a significant amount of financial and engineering feasibility work after Council approval, the initiatives receiving such funding mainly involve climate change (10 of 14) and are implemented by the World Bank (12 of 14). Since PDF-Cs are limited to projects that have been approved by the GEF Council, the time between Council approval and CEO endorsement is also their implementation period. The average time from project approval to CEO endorsement was 29 months (nine projects), compared to 16 months for projects without PDF-Cs over the same period (GEF-1 and GEF-2). The reason for the decline in PDF-Cs is the decreasing number of projects that meet the criteria.

Figure 7.2

Use and distribution of PDF funding for 716 approved FSPs



PDF-C[6] (see figure 7.2). Most FSPs thus use only PDF-B funding, accounting for 80 percent of projects that use PDFs (335 of 419 FSPs that access PDF resources).

There is no dominant pattern in the use of PDFs by country, focal area, or Agency, nor does PDF demand appear to be driven by project complexity. A few statistically significant observations can be made, however. There is a slight tendency for regions and focal areas with a smaller GEF portfolio to use relatively higher proportions of PDFs. For FSPs, smaller and newer focal areas have made more use of PDFs: 89 percent of the 9 POPs projects and 82 percent of the 17 land degradation projects have used PDF funding. However, two other focal areas with relatively small portfolios, the multifocal area and ozone depletion, have made the *least* use of PDFs: 53 and 62 percent, respectively, of the FSPs in these areas have not accessed PDF funds. International waters projects have a high rate of PDF-B usage: 73 percent of the 92 FSPs in this focal area used PDF-B funding. On the other hand, climate change FSPs use fewer PDF-Bs than average (47 percent).[7]

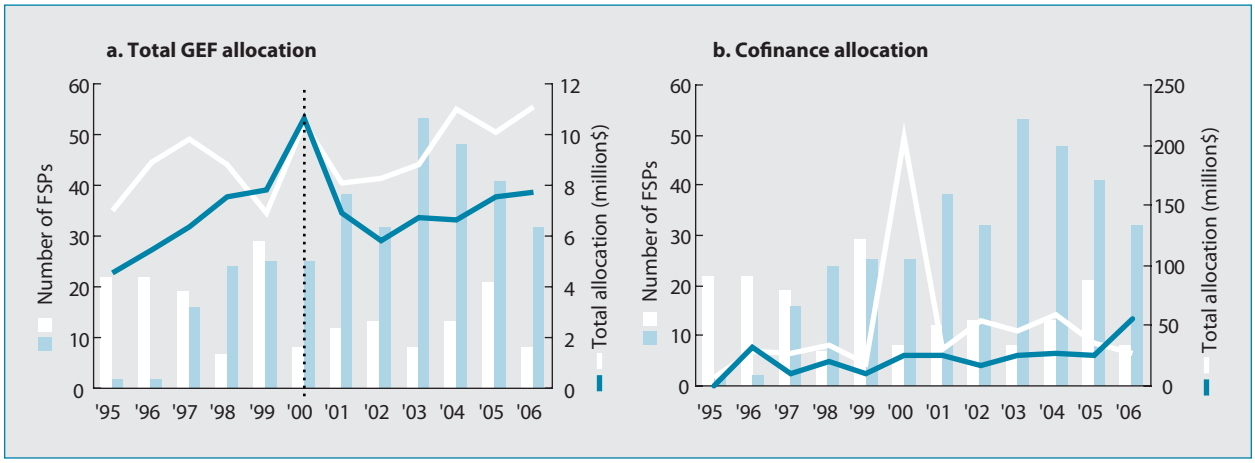
By region, the largest number of PDFs has been developed for Africa (29 percent, 126 FSPs). UNEP projects, which are often global or regional, use more PDF-Bs on average than do projects by other IAs (72 percent of 47 FSPs). A smaller proportion of regional and global projects, which may be considered complex, use PDF resources (38 percent FSPs, 27 percent MSPs).[8]

There is a link between PDF use and availability of financial resources. It appears that FSPs *without* PDFs are more expensive on average; this trend has been accentuated in GEF-3 projects and is statistically significant. Figure 7.3a illustrates the average total GEF allocation for FSPs without PDFs across phases in contrast with the other large cohort, FSPs with PDF-Bs only. Projects without PDFs have higher total GEF allocations across all years and particularly after 2000, as well as consistently higher cofinancing (figure 7.3b). Seven of the 10 projects with the highest cofinance ratios since GEF-1 are projects with no PDFs.[9] The spike in cofinancing in 2000 is explained by two World Bank climate change projects, Second Beijing Environment Project and Uganda: Rural Energy for Development; both are follow-on projects and did not access PDF resources. The pattern of higher resource allocation for projects without PDFs has held over time and across focal areas and regions (except in Latin America and the Caribbean). The explanation for higher GEF allocations for projects that did not use PDFs is probably closely related to the fact that many are World Bank projects, which tend to be larger in budgetary terms, have access to other preparation resources, and/or are on a fast track for World Bank Board submission.

Across Agencies and excluding the pilot phase, there are 184 FSPs that do not have a PDF component.[10] These projects are generally expensive

Figure 7.3

Average allocation across PDF types



Notes: Total GEF allocation includes PDF-B allocations. Blue (solid line or shading) indicates projects with a PDF-B component; white indicates projects with no PDF-B component.

and complex, yet the Agencies have managed to develop and implement them without PDF resources—and with similar performance ratings and shorter elapsed times in formulation. Agencies thus have satisfactorily managed to obtain other resources for financing project preparation, including from within their own Agencies. Agencies may themselves undertake preparatory activities both in cases where the proposals are familiar and have commonalities with other portfolio activities, and for more complex and expensive projects. For example, as noted in the implementation completion report for the Poland: Zakopane/Podhale Geothermal District Heating and Environment Project (1999), with a cofinance ratio of 17,

> the Bank played a critical role in developing the Project concept and coordinating cofinancing for both Project preparation and implementation. The Bank's involvement also ensured careful assessment of Project risks and systematic consideration of the geological, technical, environmental and marketing issues involved.

As pointed out during the Laos field visit, "In cases where projects have already been well defined, IAs can cover the preparatory cost without going through the additional step of PDF."

Of those projects with the highest cofinancing ratios, some are part of a series of previous undertakings, meaning that most of the preparation activities have already been undertaken and additional PDFs are not required. The top cofinanced project (ratio of 24.15) with a PDF is the World Bank-GEF Partnership Investment Fund for Pollution Reduction in the Large Marine Ecosystems of East Asia (Tranche 1 of 3). While the first tranche had a PDF-B, the second and third tranches do not use PDFs. The growing trend toward phased projects may therefore partially counterbalance the trend toward increased PDF use. However, this implies a relatively higher presence of PDFs among non-tranched projects.

Indispensable Tool, but Not Necessarily True to Original Purpose

PDFs aim to provide funding when necessary to prepare projects from the initial concept stage

through to final design. As stated in the original establishing documentation (GEF 1995k) and the GEF Secretariat "Operations Manual," PDFs are meant to effectively

> widen the net for project ideas to an array of potential clients while providing a review of quality during project preparation; to especially test promising but high risk ventures before committing large amounts of resources and, to assist in portfolio management to provide the Secretariat information on developing pipeline activities.

Moreover, the different PDF blocks have different purposes: PDF-As are to be used at the very early stages of project identification, and block Bs are meant for proposals that are already clearly identified; fit into the GEF's operational strategy; and are considered technically, scientifically, and environmentally feasible (GEF 1995k).

Given the requirements for GEF project design, PDFs may well be an indispensable tool for project preparation. While comparisons of projects with and without PDFs do not indicate obvious advantages for their use, if the GEF and Agencies continue to require relatively complex project documents with frequently changing requirements, there may not be an alternative to some form of PDF in financing project preparation. Not many countries would find it worthwhile to build up their own capacity, and Agencies may naturally be reluctant to advance funds for this purpose.

Although 56 percent of survey respondents find PDFs "highly relevant," the evaluation found scarce evidence that PDFs are effective in addressing goals other than project preparation. Despite the intended purpose of "widening the net," PDFs do not appear to help broaden access of potential clients, as PDF implementation is mainly undertaken by the government as executing agency. While in the pilot phase, 98 percent of government-executed projects had no PDF, in GEF-1, 53 percent of projects had a PDF component, with 37 percent in GEF-2. In GEF-3, only 20 percent of full- and medium-size projects executed by the government did *not* have PDFs. This pattern is repeated for projects by the newer GEF partners, the Executing Agencies, and in joint IA-ExA projects. All seven GEF-3 ExA projects have PDF-Bs, while their previous three FSPs had no PDF component.

There are mixed findings on the usefulness of PDFs in developing the GEF project pipeline. Many canceled and dropped projects/proposals had a PDF component (43 percent and 70 percent, respectively). Furthermore, PDFs do not always materialize into projects in a timely manner. This may be due to strategic issues, feasibility studies, or technical parameters having been found to be unfavorable once formulation and consultations began.

Neither the GEF nor the Agencies maintain systematic records of the intended and actual duration of a PDF, why it is halted or abandoned, or whether it is expected to lead to a concept brief in future. Many PDFs may have been terminated informally without their dates having been recorded in the PMIS or in Agency databases. This lack of transparency undermines the goal of widening the net for ideas, as both governmental and nongovernmental clients indicated in interviews that they are not able to follow up on their proposals without direct access to GEF Secretariat/Agency headquarters. This circumstance also means that it is unclear how PDFs can effectively meet another stated goal, "to assist in portfolio management by the GEF Secretariat."

Two differing interpretations of these mixed data about the productivity of PDFs are possible:

- In light of the aim of PDFs to develop projects better and more quickly, the ratio of PDFs that do not lead to projects is high.
- In light of the aim of PDFs to test promising but high-risk ventures, the ratio of PDFs that do not lead to projects is low or acceptable. However, this assumes that the 71 percent of GEF-3 projects that use PDFs are such high-risk, innovative ventures.

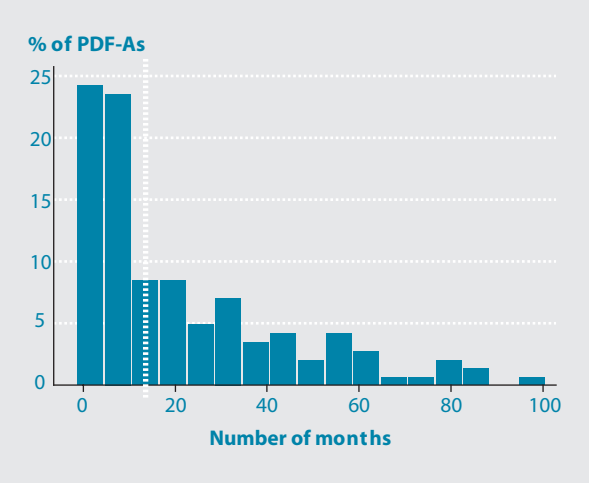
PDF-A

Currently there are 182 PDF-As under implementation, of which 85 percent are earmarked to become MSPs. The time since these PDF-As were first approved until the end of 2005 is on the average of 21.5 months, and 24 months for FSPs alone. In total, PDF-A proposals represent $5.15 million in allocated PDF-A resources.

For already approved MSPs that have a PDF-A component (160), the average time from PDF-A approval to project approval is two years (with a standard deviation of 15.6 months). The two-year average can be used as a proxy benchmark for processing times required for project approval, as applied by the GEF Secretariat in pipeline review for these projects. Figure 7.4 shows the frequency distribution of time spent by 140 PDF-As still earmarked to become MSPs. The average time from PDF-A approval until January 2006 is 21.5 months (1.8 years), with a standard deviation of 22.5 months. As shown by the first four bars in the figure, about 67 percent of PDF-As have been implemented for less than or equal to two years. The remainder (about 33 percent) have spent more than two years since PDF-A approval, with 32 projects (about 23 percent) having spent more than three years. The average allocation across these ongoing PDF-As is $28,000. The maximum elapsed time from PDF-A approval to January 2006 has been eight years, for two PDFs.[11]

Figure 7.4

Distribution of time from PDF-A approval to January 2006



Notes: n = 140 ongoing PDF-As. Each bar represents six months, and the height of the bar represents the proportion of PDF-As that spent that given time from PDF-A approval to January 2006.

UNDP implements 121 (66 percent) of the total current 182 PDF-As, followed by UNEP (18 percent) and the World Bank (10 percent). The three IAs have had an imprest account to approve PDF-As directly, whereas the ExAs must request PDF-A funding from the GEF Secretariat. In analyzing the approved PDF-As, imprest replenishments, and Trustee data on transfers for PDF-As, the evaluation could find no consistent pattern on expenditures or completions. Reporting on replenishment status in 2005, the World Bank reported 11 dropped and 1 transferred to another Agency of 64 PDF-As; UNEP reported on 21 PDF-As, all of which were successfully closed (5 led to PDF-Bs, and 13 were NCSA-related).[12] The GEF Secretariat has recalled the IA imprest account from end October 2006.

Some stakeholders have questioned the usefulness of PDF-As. A Mexican interviewee noted that "PDF-As may not be worthwhile, as they are basically used to develop the TOR for a project, which could be done without GEF funding." IFAD

also questioned the modality's utility, with a staff member stating in an interview that "the limit of $25,000 seems too much; IFAD can develop projects with $15,000 for a consultant." This view, however, was not shared by interviewees in Laos, who asserted that "the amounts provided even by PDF-As are generally adequate." Their observation may indicate a need for more flexibility in defining the caps of different PDF types, questioning the "one-size-fits-all" approach.

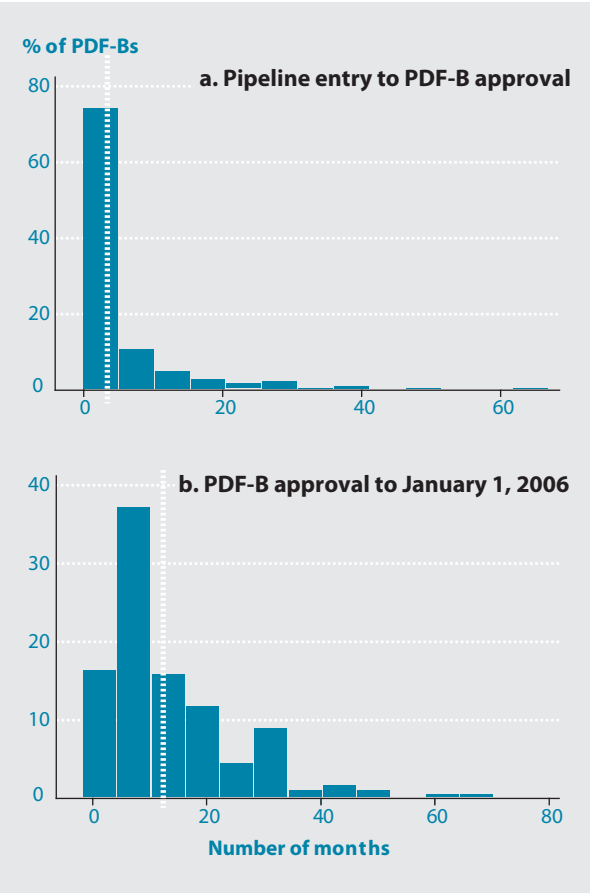
PDF-B

Trends for PDF-Bs are similar to those observed for PDF-As, although the elapsed time in PDF-B implementation is somewhat more encouraging. The average time from pipeline entry to PDF-B approval has been five months (shown by the dotted vertical line in figure 7.5a), with 86 percent having taken less than one year, although there are some projects that have taken up to five years.[13] Views expressed during several field visits and by survey respondents indicated that the procedures to obtain PDF-B funding are too complex. In fact, this support facility is being treated as a project in and of itself; stakeholders noted that "Preparation of proposals for PDFs is very difficult for national consultants, as the forms are complicated and there is a difficult screening process," and "The PDF modality also needs to be treated as a project signed with governments; this takes a lot of transaction time." Currently, there are 178 PDF-Bs that are being implemented to formulate FSP proposals (by Agency, 37 percent by UNDP, 33 percent by the World Bank, and 16 percent by UNEP).

The average time taken for implementation of the PDF-B from approval until January 2006 has been around 13 months (shown by the dotted vertical line in figure 7.5b). The range in figure 7.5b is much greater than that in 7.5a (both figures refer to the same set of proposals), indicating that after approval, PDF-Bs take varied amounts of time to move through the cycle. The actual average time will ultimately be higher than 13 months; since these proposals have not yet closed, time is still elapsing for them.

Figure 7.5

Distribution of time from pipeline entry to PDF-B approval to January 2006



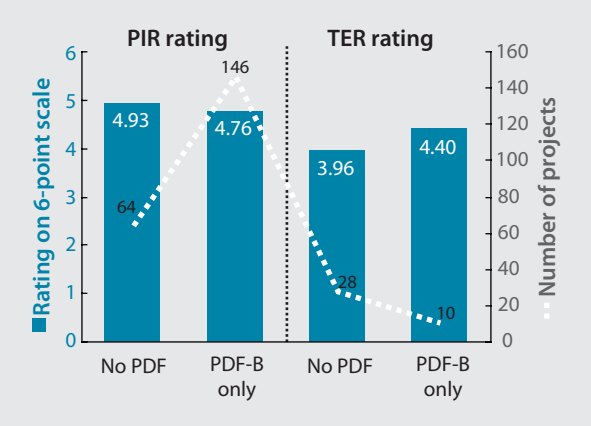
Notes: n = 178 ongoing PDF-Bs. Each bar represents six months, and the height of the bar represents the proportion of PDF-Bs that spent that given time from (a) pipeline entry to PDF-B approval, and (b) from PDF-B approval to January 2006.

PDFs and Performance Ratings

There is no clear evidence that PDFs lead to projects with higher performance ratings. When analyzing performance ratings of ongoing and closed projects with and without prior PDFs,

Figure 7.6

Association of PDFs with FSP performance: PIR and TER ratings by presence of PDF-Bs



the effect is unclear. For projects under implementation, progress ratings are slightly higher for projects that did *not* have a PDF[14] (see figure 7.6). For closed projects, ratings are slightly higher for projects that did have a PDF, but no clear conclusion can be drawn from this smaller sample. The differences in ratings are not large in either case.[15] The projects with PDFs may, of course, be more complex or take place in challenging environments, although this is not borne out by budget size, Agency, or region.[16]

Ratings upon entry also indicate that projects with and without PDF support have similar scores. Ratings provided by years or aggregated ratings show a similar trend for the Word Bank Quality Assurance Group's indicator on overall assessment of quality at entry. Table 7.3 shows those GEF projects (only 20 in all) that have Quality Assurance Group ratings, categorized by nature of PDF support.

A systematic quality-at-entry review for projects with and without PDFs would be needed to explore whether PDFs help produce better concepts and proposals. Since project results depend on implementation and numerous other factors, the success of a project may not be affected by PDFs as they were initially anticipated. There is stakeholder feedback that the PDF process is useful to set the stage for projects, but also that the delays in project approval after the end of the PDF-B result in a gap in activities that discourages buy-in. Interviewees in Mexico and Macedonia drew attention to the fact that sometimes project approval can take so long that, by the time the project starts, the baseline has changed, which undermines its purpose.

Table 7.3

PDF support and quality at entry: World Bank case study

	Quality-at-entry assessment number and year					Overall assessment rating
PDF support	2 (1998)	3 (1999)	4 (2000–01)	5 (2001–02)	7 (2004–05)	
PDF-A + PDF-B (3)		2 (1)			2.5 (2)	2.33
No PDF (5)	2 (3)	2 (1)		2 (1)		2
PDF-B only (12)	2 (2)	2 (1)	1.5 (4)	2 (1)	2.5 (4)	2
Overall assessment rating (20)	2	2	1.5	2	2.5	2.05

Sources: World Bank Quality Assurance Group and GEF Evaluation Office.

Notes: Quality-at-entry assessments are for calendar years through 2001. Beginning with Quality-at-Entry Assessment 5, they are for fiscal years. Until FY 2004, individual operations were rated on a four-point scale; subsequently, a six-point scale has been used. No GEF projects were included in assessment 6. Numbers in parentheses are the numbers of projects included in the assessment.

7.3 Medium-Size Projects[17]

Of the total projects and proposals in the GEF portfolio, 32 percent (632) are medium-size projects and proposals, of which 326 have been approved. The number of MSPs approved has fluctuated every second year, with a maximum of 52 in 2002. The MSP modality, in response to concerns about access to and speed of the development of GEF regular projects, aims to "establish simplified, expedited procedures that promote high-quality projects requiring up to $1 million of GEF-financing" (GEF 1996l). An underlying premise is outreach to a broad range of project proposers.

MSPs Increase Nongovernment Access and Capacity

The MSP modality has been effective in its goal of widening access of GEF funding to nongovernmental partners and building their capacity. MSPs exhibit a broader range of executing agencies than do FSPs, with higher ratios for all executing agency types other than government (see table 7.4), though other types are not prevalent. For example, the private sector executes 4 percent of MSPs (versus 1 percent of FSPs). IFC has indicated that the potential for MSP development is competing with other programs that can disburse resources more quickly, such as its Environmental Business Finance Program and the Small- and Medium-Scale Enterprise Program (World Bank 2005k).

Table 7.4

Distribution of executing agency types across 674 FSPs and 301 MSPs (%)

Type of executing agency	FSP	MSP
Bilateral	1.2	2.0
Foundation	0.7	4.0
Government	66.9	35.5
Multilateral	26.4	18.6
NGO	1.9	28.6
Private sector	1.2	4.0
Other	1.6	7.3
Total	**99.9**	**100.0**

Government execution is dominant for both MSPs and FSPs (about 36 percent and 67 percent, respectively). Multilateral agency execution is also used extensively for both modalities (19 percent and 26 percent). However, for MSPs, NGO execution is in second place, with almost a third of MSPs executed by NGOs. In the stakeholder survey, NGO rates of agreement with MSP strengths are consistently higher than for other respondents. NGO execution of MSPs has dropped over time: in GEF-2, NGOs accounted for 59 percent of MSPs,[18] but in GEF-3 their execution level fell to 37 percent (see figure 7.7). There are no clear data on whether the type of executing agency contributes to delays in project formulation. For 49 MSPs that are government executed, the average time from PDF-A approval to project approval is 28 months, as compared to 23 months for 53 NGO-executed MSPs.

Figure 7.7

Number of MSPs executed by NGOs and governments

The limited experience of executing agencies in undertaking projects for the GEF, in projects of this size, or in doing business with the Agencies

may exacerbate supervision costs. Capacity issues have resulted in implementation problems such as delayed disbursement of grant funds, difficulties in presenting accounts in an acceptable manner, creation of local field capacity, and implementation of existing or new partnerships with grassroot NGOs. The 2001 PPR suggested that

> designers…ensure that the executing agencies have adequate capacity to deliver the project's expected outcomes, to manage the complexity of policy dialogues with stakeholders, and handle other elements of project implementation (GEF 2002a).

On the other hand, the MSP modality has strengthened capacity. The World Bank's stocktaking of MSPs found that 82.5 percent (33 projects) achieved or expected to achieve capacity building for the executing agency and project beneficiaries. The 2001 PPR found that "Experience to date points to the value of MSPs as an effective instrument to support capacity development" (GEF 2002a). Almost 80 percent (250) of total survey respondents to this question agreed.[19] Enhanced NGO capacity, especially for project management, can lay the groundwork for participation in larger projects.

"MSPs were viewed favorably as the preferred modality (aside from the SGP). The operational focal point would rather spread the GEF funds available to the country across a range of issues than have just a few large FSPs."—Interviewee in Kenya

MSPs Leverage Additional Resources

Overall, MSPs appear to have performed well in their ability to leverage additional resources from other donors, government, NGOs, and the private sector. The average dollar amount promised for every GEF dollar allocated (cofinance ratio) for MSPs between 1991 and 2006 is $2.68, and has increased steadily over the years, standing at $3.41 in 2006.[20] Almost 60 percent of survey respondents (189 respondents) think MSPs are effective in attracting cofinancing. In particular, MSPs with ExA presence and jointly executed projects have significantly higher intended cofinancing;[21] MSPs with single IAs do not have as much leverage. Of joint IA projects, 11 of 14 are World Bank-IFC projects, which reflects the IFC mandate of working with the private sector and credit facilities. The 2005 APR finds that promised cofinancing tends to materialize for the most part[22] (see annex B).

A number of past reviews have pointed out that the MSP modality appears to be effective in producing high-quality results. The 2001 MSP evaluation considered 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, and the 2005 World Bank stocktaking concluded that "…despite their relatively low budget and comparatively high cost MSPs are a net positive for the institution." For both closed and ongoing MSPs (87 and 130, respectively), there is no significant difference in performance ratings as compared to FSPs.[23]

MSPs Are Effective Starting Point

MSPs appear most effective in serving as an initial step in a longer process. The World Bank stocktaking found that "the results of MSPs can be used as leverage in engaging governments in policy dialogue," which is particularly useful in countries where an entry point to setting environmental priorities is needed. This finding was echoed by 85 percent (272) of survey respondents, who agreed with the statement that "MSPs can serve as an initial step in a longer process." The extent to which such scale-up materializes has not been verified. For IFC, the results from MSPs

cannot produce the analysis required to develop large IFC investments (World Bank 2005k). However, this also indicates some limitations to MSP sustainability, unless it is managed with dedicated follow-up. The 2001 MSP evaluation pointed out that "the prevailing 2- to 3-year time frame for MSPs is often too short, and few of the projects can be expected to achieve sustainability in this time."[24] The average expected duration of MSPs between 1998 and 2006 was 3 years, ranging from 2.3 years in 1998 (for 11 MSPs) to 3.5 years in 2006 (for 28 MSPs); note, however, that duration times have varied and do not follow any distinct trend.

MSPs Are Not Cost Effective

The MSP modality is not cost effective; it takes too much time and effort to develop and implement as compared both to its limited project investment and the modality objectives. There have been no changes following the 2001 MSP evaluation. A proxy for the entire formulation and approval period is PDF-A approval to CEO approval, which is 26 months. In 2005, 35 MSPs on average took 33.5 months for processing from PDF-A approval to CEO approval, which is well beyond original expectations; this duration has been fairly consistent despite past efforts toward streamlining (Arensberg 2005). Put in other terms, MSPs take about the same total processing time as a conventional-size investment or technical assistance project—without GEF financing—of the multilateral development banks.

The cost effectiveness of MSPs was questioned in 9 of the 18 countries visited. IA country office staff in the Philippines expressed frustration that, despite an expedited approval process, MSPs are still subject to the same project cycle and requirements as FSPs. The same view was shared by interviewees in Turkey: "MSPs take too much time to prepare for too little money. MSPs should be easier—too much detail is required." Interviewees in China noted, "Processing of MSPs may take a shorter time compared to FSPs, but they take almost the same amount of effort. Given the same level of resources, it would be prudent to propose an FSP rather than an MSP."

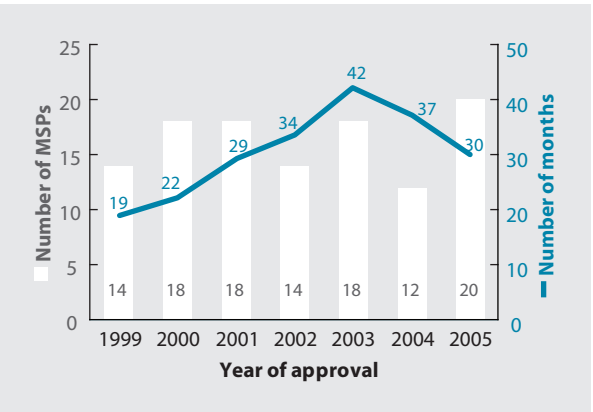
The total project cost of approved MSPs is roughly one-twelfth that of FSPs ($3 million compared to $36 million), including cofinancing and total GEF allocations. Their preparation time is about 60 percent that of FSPs—25.4 months for MSPs from PDF-A approval to CEO approval versus 42 months for FSPs from pipeline entry to CEO endorsement. Given that the key goal of the MSP modality is expedited procedures, it is disconcerting that around 60 percent of survey respondents find that "MSPs take just as long to be approved as FSPs."

MSP Processing Time Has Not Decreased

There has been no significant reduction in time delays for MSPs. Elapsed time actually increased after the 2001 MSP evaluation, but has since gone down; these are levels still above those of 1999 (see figure 7.8). In all, it takes 30 months for MSPs to move from PDF-A to start-up, around two years less than FSPs, which take 56 months on average from PDF-A to start-up (over 1998–2006). The

Figure 7.8

Time from PDF-A to project start: MSPs



maximum time from PDF-A to project start has been six years.[25]

The resource-intensive nature of the MSP modality may have discouraged its growth and use. The basis for expedited procedures was that MSPs would often "not require the same level of preparation and oversight as full projects"; the goal of "streamlining and simplifying all stages of the project preparation and implementation" was highlighted (GEF 1996l). This, however, has not been the case. The Council also specified that MSPs should reflect the GEF operational principles, especially monitoring and evaluation, flexibility in time for endorsement, cost-effective administration of procedures, and the need for cofinancing. The additional efforts provide little incentive to develop MSPs for many stakeholders, both nationally and in Agencies, which has likely resulted in some lost opportunities in developing relevant MSP activities. Given the additional efforts needed, the existence of individual champions is also a factor in promoting MSPs. Some Agency departments have been able to subsidize the preparation and supervision of MSPs by shifting resources from the fees of full-size GEF projects or from the corporate budget. Agencies have been motivated to undertake MSPs in spite of inefficiencies, because they may raise the profile of the Agency at the grassroots level; this is particularly appealing to organizations that generally do not work actively with such stakeholder groups or smaller interventions.

The average approved MSP project allocation is $0.82 million across all replenishment periods. The average GEF MSP budget has increased to $0.89 million in GEF-3, up from $0.68 million in GEF-1 and $0.77 million in GEF-2.[26] Because of the $1 million ceiling, proponents cannot make MSPs more cost effective by increasing the budget (more effort for more money).

The decreasing efficiency of MSPs, and the weight of the same requirements for smaller as for larger GEF projects, have been pointed out repeatedly. The 2001 evaluation recommended that the GEF Secretariat and IAs

> complete the bottlenecks 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, and (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 (GEF EO 2001).

So far, this has not been fully explored. The lack of improvement should now be addressed, especially with the advent of the RAF which might influence demand for GEF modalities.

In an effort to help reduce delays in developing and implementing MSPs, the GEF Council in 2004 agreed to two initiatives: a global corporate program of smaller size MSPs (the Development Marketplace), and a pilot program to implement smaller MSPs through a decentralized country mechanism (see box 7.2).

MSPs Are More Susceptible to Local Circumstances

Because of its specific parameters and funding ceiling, the demand for the MSP modality is more susceptible to local or regional circumstances and needs, and more challenging to mainstream into Agency and government frameworks. MSP size and scope imply that it is not an instrument for resolving all countries' GEF focal area needs (World Bank 2005k) and that selectivity has been applied. This is borne out by the 2001 MSP evaluation, which suggested that MSPs are distributed more broadly among countries than FSPs. The 10 countries with the most MSP activity include 3 of the 10 countries with the highest GEF investment in FSPs (China, the Phil-

Box 7.2

Innovations in MSP Programming

The Council approved $10 million for a two-year global program and $2.5 million over two years for a decentralized MSP program to be implemented in Argentina. It added nine criteria to guide the two initiatives; these included an evaluation upon completion of the pilots, no commingling (Argentina funds are to be addressed under the country pilot program and not the global program), and composition of the respective technical review committees. It was also specified that the program would operate under reduced fees, that the Council would continue to comment on project documents to be financed under these programs, and that no further country-based pilot programs would be approved before development of a Council-approved policy on their use.

As of this writing, the Argentina pilot program has been in effect for over a year. Managed by the World Bank local office together with the Ministry of Foreign Relations Secretariat of the Environment, the program provides GEF MSP grants of up to $250,000. This is a relatively large sum for this management level, and is 50 times the size of the grants awarded by the national Small Grants Programme.

When the first invitation to submit proposals closed in February 2006, 429 proposals with a combined value of $125 million had been received, which greatly exceeded expectations. Proposals are well distributed among eligible organizations, targeting mid-level beneficiaries: universities and institutes submitted 44 percent of the proposals; NGOs, 35 percent; and local government agencies, 21 percent. The proposed work spans all GEF focal areas, with biodiversity dominating (44 percent of proposals), followed by land degradation (13 percent). The proposals are distributed over 30 regions, including Antarctica.

As initially envisaged, the project looked to reduce costs through savings in overhead administration, technical assistance, and support; time efficiencies; and the reduction of IA fees by local preparation of MSP documents. However, no concessions for regular GEF approval have been granted, and the large volume of proposals received may tend to offset some potential savings. Experience in the GEF and elsewhere has shown that pilot program start-up and testing incur additional costs and that efficiencies of scale—if any—tend to materialize in the later roll-out phase. In effect, the project is under World Bank management only, although the project document was presented with the World Bank, UNDP, and UNEP as GEF Agencies. The conditions imposed upon approval were such that these latter two Agencies no longer saw themselves in a position to participate formally; the UNDP country office in Buenos Aires has, however, been contracted to undertake activities, and UNEP is also involved. The GEF Council had specified that both Implementing and Executing Agencies will be eligible for managing projects under both pilot programs; time will tell if this materializes under the current conditions.

Results are promising for both initiatives in terms of a more responsive, simplified, efficient, and cost-effective mechanism to process, manage, and implement medium-size grants, especially with regard to civil society participation, but it is too soon to tell the impact. In stakeholder consultations and in the survey, considerable interest was expressed by other countries in this kind of decentralized small-size MSP facility.

ippines, and Poland); but three of the four countries with the highest cumulative FSP investment have relatively little MSP activity (GEF EO 2001).

Countries with smaller potential for obtaining GEF grants, or those with a newer GEF portfolio, may find MSPs a worthwhile modality as an entry point; this is particularly observed in Africa and Europe and Central Asia.[27] Countries with the possibility of larger financial allocations prefer FSPs. As the focal point in Tunisia stated, "We prefer FSPs; the MSP financial envelope is too small, which is not cost effective." Considering the distribution across single-country projects and proposals, the use of MSPs to FSPs is relatively higher in low-income countries (37 percent of MSPs, compared to 31 percent of FSPs) and in upper middle-income countries (26 percent of

MSPs versus 23 percent of FSPs, which is statistically significant); there are indications that MSPs are increasingly being used in SIDS in GEF-3.[28]

MSP can be the mechanism of choice to initiate new areas of support, such as land degradation; 47 percent of all land degradation projects and proposals (77 of 163) are for MSPs; for multifocal and biodiversity projects, the ratio is 40 percent. The lowest proportion of MSPs within a focal area is for international waters (17 percent); this area tends to favor regional projects. The potential usefulness of MSPs also depends on the existence of a well-developed environmental NGO base, and, correspondingly, Agency decentralized field offices to facilitate dialogue between the Agency and nontraditional partners. While 30 percent of all MSPs in the Latin America and the Caribbean region are NGO-executed, 18 percent of all Asian MSPs are executed by NGOs. In the Europe and Central Asia region and in Africa, 43 percent and 38 percent, respectively, of the MSPs are executed by government.

There is a general consensus among stakeholders that MSPs should be an integral part of support to the environmental sector. MSPs are not usually mentioned in the World Bank Country Assistance Strategy or the United Nations Development Assistance Framework. Many MSPs are freestanding and not linked to other programs; for example, of the 83 World Bank MSPs, only 3 are "associated" or "blended." This has consequences for elapsed time, as projects not associated with an Agency activity tend to take longer to prepare. Of projects in the World Bank MSP portfolio, freestanding projects take the longest to prepare (751 days); partially blended projects take an average of 614 days to prepare (WB IEG 2006a).

MSP Structural Issues Have Not Been Addressed

To make the most of the MSP modality as originally envisaged, the mixed findings on complexity, flexibility, and comparatively high workload should be systematically addressed. The 2001 MSP evaluation found that

> There has been considerable pressure within GEF to make MSPs comprehensive and overambitious rather than small and simple, and some of the projects have been encouraged to bite off more than they can reasonably be expected to chew… (GEF EO 2001).

Given its fixed ceiling, a key challenge in MSP design is tailoring activities to the budget and keeping the project simple in order to maintain a comparative advantage for the modality. Flexibility was retained as a key principle when the MSP modality was introduced, but stakeholder perceptions are ambiguous on this subject. For example, the proportion of national government members who agree that "MSPs are more flexible than FSPs" (49 percent) is almost 20 percent lower than agreement across all survey respondents.

The main differences in MSP expedited procedures compared to the FSP process are that MSPs are granted CEO approval instead of work program entry (though the MSPs are reported in the work program), and that they do not go through the pipeline entry/concept brief phase (though PDF-A, now to be approved by the GEF Secretariat, has served as a de facto pipeline). These differences do not appear to have been sufficient to ensure speediness in the cycle process. The main delaying factor appears to be the level of requirements for formulation and implementation, which is the same as for much larger projects. Considering the lower financial risk of MSPs, some lightening of requirements seems warranted.

In general, MSPs pose the same implementing challenges as FSPs. Almost 55 percent of survey respondents disagree with the statement that "MSPs require less capacity to implement than FSPs," and 75 percent agree that "MSPs require just as much supervision as FSPs."

One particular aspect under discussion is the cost effectiveness of terminal evaluations for MSPs. The guidance on terminal evaluations for MSPs and FSPs is the same, notwithstanding the fact that the average MSP budget is one-twelfth that of the average FSP. The 2006 M&E Policy upheld the requirement for MSP terminal evaluations pending analysis by the Joint Evaluation (GEF EO 2006c).

Generally, and unsurprisingly, Agencies indicate that FSPs often have a larger budget for evaluation. The quality of terminal evaluations appears to depend on the choice of evaluator. A project with a higher budget for its terminal evaluation can attract more costly consultants, which increases the likelihood of a good evaluation. Nevertheless, there is no notable difference between the quality of terminal evaluations for MSPs and FSPs; for both modalities, the average quality of the terminal evaluation is marginally satisfactory (ratings of 4 and 4.04, respectively). There are 87 MSPs recorded as complete, with 84 percent (73) from GEF-2. Of these projects, 39 (45 percent) have TERs available. Forty-four MSPs recorded as complete for an average of about three years do not have terminal evaluations (32 of these are for World Bank projects).

The practices for terminal evaluations vary. In the case of UNDP, the country office hires independent international consultants, with technical support from UNDP GEF staff. The UNDP Evaluation Office is moving toward involvement in the quality review of all decentralized evaluations. According to UNDP, approximately $50,000 is now spent on a terminal evaluation (an increase, in light of APR findings). In project budgets, this value may also cover the midterm evaluation, so for smaller MSPs that do not have a midterm evaluation, the figure may be slightly lower. According to the 2005 APR, there was a substantial improvement in the quality of UNDP terminal evaluations.

At UNEP, terminal evaluations are coordinated by the Evaluation and Oversight Unit and undertaken by independent consultants. The unit is responsible for budgeting, TOR preparation, selection of consultants, oversight of the implementation of the review, and quality control of the report. At the beginning of the financial year, all proposed evaluations are budgeted, and an overarching evaluation budget is developed (for midterm reviews and terminal evaluations). Subsequently, costs for evaluations are automatically approved as long as the Evaluation and Oversight Unit keeps individual evaluations within budget. A typical MSP terminal evaluation would be budgeted at $12,000; an FSP evaluation might be twice that amount. Historically, UNEP has financed evaluations from the Agency's fee. According to UNEP, more realistic budgeting is now taking place, in accordance with the GEF M&E Policy: large, high-profile FSPs can have a budget of up to $100,000, allowing a much more thorough terminal evaluation process. The 2005 APR reported that UNEP's terminal evaluations often exhibit inconsistencies between the report text and the ratings, and that the quality of the Agency's evaluations dropped in 2005 as compared to 2004; however, the terminal evaluations reviewed by the 2005 APR were conducted before the new UNEP procedures were in place.

In evaluating its MSPs, the World Bank follows the procedures set out for Trust Funds in the Bank of less than $1 million. An implementation

Box 7.3

Positive Views on Enabling Activities

Field visit interviewees frequently expressed positive views about enabling activities, as these quotes from Turkey and Laos illustrate:

- The climate change enabling activity was a small amount, but it helped trigger additional projects, and helped build interest and activity.
- Enabling activities have enhanced planning and capacity in the government and helped the country respond much better in its obligations toward multilateral environmental agreements. Government delegations are now much better prepared when they participate in the COPs of various conventions.

completion memorandum template has been prepared by the Bank's Trust Funds Department; this is completed by the task team and submitted after regional clearance to the Trust Funds Department and the GEF Coordination Team. The level of analysis is not the same as for projects with several millions in grant financing.

In sum, there are several issues the implementation of the M&E Policy may address:

- Does the evaluation of a project of less than $1 million merit the same analysis and effort as a project with a larger budget?
- If yes, how can it be ensured that the same rigor is applied with less financial resources available for the evaluation?
- If no, what requirements could or should be modified?

7.4 Enabling Activities

Enabling activities provide financing for the preparation of a plan, strategy, or program to fulfill commitments under a global environmental convention, or the preparation of a national communication or report to a relevant convention (biodiversity, climate change, and persistent organic pollutants). See box 7.3 for stakeholder comments on enabling activities.

The cycle has been more productive in developing enabling activities, with 869 enabling activities, of which 94 percent are approved. This represents a GEF allocation of $268 million. Of these approved enabling activities, 64 percent are implemented by UNDP and 25 percent by UNEP; the World Bank and UNIDO implement 5 percent each. Within the focal areas, 34 percent and 31 percent of approved enabling activities are in biodiversity and climate change, respectively, while 16 percent and 14 percent are for multifocal and POPs initiatives. There are 157 NCSAs, which comprise 18 percent of the enabling activity portfolio. Of these NCSAs, 78 percent are implemented by UNDP and the remainder by UNEP.[29] National adaptation programs of action (NAPAs) have been allocated a total of $8.97 million by the GEF. The average allocation for NAPA enabling activities is almost $200,000; 69 percent of NAPAs are in Africa and 29 percent in Asia.

Enabling activities, while under expedited procedures and standard content, suffer from delays both in formulation and implementation. A total of 138 UNFCCC non–Annex I parties have received assistance in the preparation of their initial national communications, of which 124 have been submitted to the COP (GEF 2006f). The funding of most of the initial national communications was disbursed according to 1997 operational guidelines for expedited financing of initial national communications from non–Annex I parties. At COP 8 (2002), new guidelines were adopted for the preparation of second and third national communications from these parties. The guidelines established that there should be three to five years between the initial disburse-

ment of financial resources for the first national communication before applying for subsequent financing.[30] The second or third national communication should be submitted within four years of the initial disbursement for their preparation, with a possible one-year extension.

So far, for the 112 enabling activities for which data are available that involve countries' first national communication to the UNFCCC (88 by UNDP, 22 by UNEP, and 2 by the World Bank; 41 percent in Africa, 26 percent in Latin America and the Caribbean, 21 percent in Asia, and 12 percent in Europe and Central Asia), the average time from CEO approval is 53 months (4.4 years). Projects in Africa take about one year longer than average (60 months, compared to an average of 48 months for non-Africa projects). Within the time from CEO approval to submission of national communications, the time to IA approval is an average of 7.2 months (for 72 first communications).

A small number of these projects were processed along a nonexpedited track. Specifically, eight UNDP projects related to first national communications accessed this track; their average time from CEO approval to submission of first national communication was 77 months (compared to an average of 51 months for the remaining 80 UNDP projects).

The global umbrella support project shows promise in improving efficiency. In November 2003, the GEF Council approved new operational procedures for the expedited financing of national communications from non–Annex I parties. This involves decentralized project approval of enabling activities by the IAs (UNDP and UNEP). Since then, most developing countries have received funds to conduct self-assessment exercises as a first step toward preparing project proposals for national communications, and are now awaiting dates of disbursement of funds for national communications. It is too early to determine the effect, but country stakeholders and the UNFCCC Secretariat have expressed positive feedback. The COP requested the GEF to closely monitor the performance of its global support project.[31] The issue of timely financing to non–Annex I parties whose project activities are not covered by the global project remains to be resolved.

The main concerns regarding this modality are aspects of effectiveness. The need for continued support and the duration of the enabling activity itself have been consistently underestimated, indicating that the original goals in capacity enhancement did not fully materialize. There is limited information available on the conduct and content of the enabling activities, as they are not subject to regular monitoring and evaluation as are larger GEF projects. As noted by a Laos interviewee, "reporting on enabling activities is very loose." Furthermore, there are considerable challenges in determining progress, as the Agencies and GEF Secretariat do not have systematic data on the start and closing of an enabling activity. The Climate Change Program Study 2004 found that "Apart from their use for reporting to the Convention, the National Communications do not seem to have been valuable in guiding programming" (GEF EO 2004b); linkages to other projects, GEF or otherwise, are unexplored.

7.5 Short-Term Response Measures

One recent simplification in GEF modalities is the discontinuation of short-term response measures. STRMs are projects that are likely to successfully and cost effectively reduce greenhouse gases in the short term. Although aimed to provide short-term response, the evaluation found that the average elapsed time from pipeline entry to project start is the same for STRMs as for regular FSPs—40 months.[32] Once started, however,

"STRMs deliver on their aim to provide significant [greenhouse gas] effects in the short term" (GEF EO 2004b).

STRMs have been gradually reduced and discontinued in GEF-4 as a mature program for strategic reasons. Given the length of the GEF cycle, there are STRMs still under implementation—and even under preparation. Of 81 STRMs, 60 are for FSPs (48 of these are approved)[33] and 21 are for MSPs (18 of these are approved). There are 13 proposals for STRMs (10 FSPs and 3 MSPs). Of all STRM FSPs, six are currently active and eight have been approved but not yet started. Eight STRM MSPs are still active. A total of $326 million has been allocated to approved STRMs.

7.6 GEF Special Initiatives and Funds

In response to convention guidance, in particular from the UNFCCC, the GEF has been called upon to implement a number of special funding windows mostly separate from its mainstream operations. These funds address specific issues, mainly capacity building and national planning, or select target groups (LDCs, countries vulnerable to climate change effects). These special initiatives include NCSAs, NAPAs, the Least Developed Countries Fund (LDCF), the Special Climate Change Fund (SCCF), and the Strategic Pilot on Adaptation. Some generic issues emerge for these newer modalities.

- **Lack of transparency in procedures.** The GEF has applied existing FSP, MSP or expedited procedures to these initiatives. However, most have specific modifications and are perceived and treated as separate modalities. The main challenge is that the guidance on which procedures to apply and how to access support is far from clear to proponents, and the evaluation had considerable difficulty in establishing their respective processes. Guidance is not available on the GEF Web site; some guidance is available from UNDP. Some Council documents exist as proposals, but these are not expressed in operational terms for country staff, or are vague. For example, SPA funds are supposed to apply "the existing eligibility criteria for GEF funding," which is difficult since the regular criteria are more mitigation-based around incremental cost, replication, and so on. Certain procedures are the same as for regular projects, and other steps differ. Furthermore, some activities can be financed from several of these funds, but stakeholders receive no assistance in identifying which fund to apply to what. For example, adaptation activities can be financed by the GEF through the SPA, the LDCF, and the SCCF, as well as through enabling activities or regular projects. Both the SCCF and the NCSA can use the Small Grants Programme to fund community-level activities; it is unclear how and if this is done. Such uncertainty contributes to delays in the concept phase and in operationalizing the funding windows. The same applies to the GEF corporate program for cross-cutting capacity building, for which

  > financing will be provided to countries, with an emphasis on LDCs and SIDS, to support a holistic approach to management of global environmental issues building upon the needs identified in the country's own assessment (GEF 2006h).

- **The funds have piloted encouraging innovation in cycle processing.** The LDCF innovation is particularly appreciated by the beneficiaries and the UNFCCC and may serve as a model for other GEF projects.

  – Projects are Web-posted and approved on a rolling basis throughout the year; for projects requesting more than $2 million in LDCF funding, proposals will be approved

by mail on a rolling basis. Projects will be approved unless four or more Council members request that a particular project be discussed and approved at the next GEF Council meeting.

- The GEF operational principle of incremental cost has been replaced by the possibility of using a sliding scale that links total project costs with a proportion that can be provided by the LDCF.
- The 10 project criteria have been reduced to 5 (country ownership, program and policy conformity, financing, institutional coordination and support, and M&E).
- The special funds have been facilitated by global support projects,[34] which have occasioned new M&E frameworks with quarterly progress reports by the NCSA national teams, validation, and self-evaluation. While the GEF Council has confirmed that the policies and procedures separately established for the special funds will not be taken to establish any precedent for the operation of the GEF Trust Fund, the above positive lessons learned can be useful for regular GEF projects as well.

- **Faster formulation of the GEF project does not necessarily lead to faster implementation.** On average, the NCSAs have taken 3.3 months from CEO approval to IA approval, which is less than the 5.2 months for non-NCSA enabling activities.[35] Since the first NCSA approval in 2002, project approvals rose rapidly over 2002 and 2003, to 157 enabling activities today, of which 34 percent are in Africa. This speed and volume may have been helped by PDF-As for 63 NCSAs. The 44 NAPAs were also approved relatively quickly over 2003–05 (GEF 2006d).[36] However, delays beyond the anticipated average duration of 12 to 18 months have been experienced in every country for implementation of both NCSAs and NAPAs (GEF 2001d). The first completed NAPA was submitted by Mauritania in November 2004. For the SCCF, the first project concepts were submitted for pipeline entry in October 2005; only one MSP was approved as of April 30, 2006, although there is another MSP at the PDF-A stage. The five FSPs in the GEF SCCF pipeline may be expected to follow average FSP processing times.[37]

- **Lack of forward planning in addressing implementation follow-up.** Concerns have already been raised on the ability of the GEF and other donors to respond to the action plans or needs assessments the NCSA and NAPA modalities have supported. The implementation phase includes the design, development, and implementation of projects on the ground, which differs from the implementation of the GEF project itself. Even though the GEF never indicated that funding would be provided, the NCSAs and NAPAs represent considerable investment from the GEF partners, and the costs are unlikely to be fully covered by other donors for all these countries. The GEF Secretariat has discussed a program to finance cross-cutting capacity-development projects that address priority needs identified in the NCSAs. Such projects would use the GEF MSP cycle with funding not exceeding the level provided for expedited enabling activities. With the current Activity Cycle, responding to capacity priorities will be an extended process: with formulation and approval of the NCSA project, its implementation, and then formulation and approval of a GEF project with its elapsed time. For example, the SPA has eight projects approved and six in the pipeline, though it requires "a mixture of 20 to 30 large and medium size projects to construct an appropriate portfolio for its $50 million over three years" (GEF 2004e). For initia-

tives such as the SPA, the GEF will be faced with questions on policy after its end. The evaluation found that it would be timely to consider exit strategies or follow-up when initiatives are being designed.

- **Governance of separate trust funds.** Some challenges have been encountered in managing separate funding windows, both in terms of additional administrative costs for the GEF Secretariat and Trustee, and in legal terms. The LDCF is a multidonor fund, separate and distinct from the GEF Trust Fund; the SCCF is also a voluntary fund. The governance structure and general operational procedures and policies that apply to the GEF Trust Fund will also apply to such funds,[38] although it has not proved easy to change GEF procedures in response to donor, stakeholder, and convention request. It was decided in August 2006 that the GEF Council will meet separately as the Council for the LDCF, SCCF, and Adaptation Fund.[39] Ultimately, the GEF needs to demonstrate that it can implement such funds well, which requires a speedier cycle. Some concerns have been expressed by the convention secretariats on the GEF's comparative advantage to manage such funds effectively. The complexities in operationalizing these windows indicate that the GEF should exercise caution in assuming additional responsibilities for the GEF Secretariat and Agencies without cost coverage and longer term implications being fully addressed.

7.7 Targeted Research

Targeted research is goal-oriented research that supports "the GEF operational strategy by providing information, knowledge and tools that improve the quality and the effectiveness of the development and implementation of GEF projects and programs" (STAP 1997). There are 46 projects and proposals using targeted research (18 FSPs, 28 MSPs).[40] Of these, 14 projects are active (7 are implemented by UNEP), 9 are approved by the GEF CEO or IAs, and 7 are complete (5 of which are Bank projects), 9 are pre-pipeline, 3 are currently PDF-As, 2 were dropped after entering the pipeline, and 1 project worth $9 million was canceled. Forty-four percent of all projects and proposals with targeted research are in the biodiversity focal area. In all, 35 projects are approved and are distributed evenly across IAs: UNEP, UNDP, and the World Bank each implement 15 projects; the remainder are implemented by ExAs. However, while 93 percent of the Bank's targeted research proposals are approved, only 53 percent of UNDP's and 60 percent of UNEP's are approved. In total, the GEF allocation for approved projects with targeted research has been $86 million.

The STAP discussed targeted research in the GEF at its March 2005 meeting. A commissioned review of GEF experiences with targeted research and other research projects concluded that targeted research had been underutilized and the projects of limited value (Boyle 2005). Based on this, the STAP agreed to adopt a more proactive approach, including its involvement at an early stage of project development, establishing criteria to identify projects with research components, and revisiting how project concepts at the pipeline entry stage are brought to the attention of STAP members.

The cycle processes for targeted research are somewhat more complex than for regular projects, including an additional step of review by a separate targeted research committee. The STAP has also discussed whether identified targeted research projects can go through the PDF-A and PDF-B route, or if a request for proposals could be published in a scientific journal. This latter would mainly be the case for global or regional projects

for biodiversity and climate change. It is not clear if the situation discussed at the 2005 meeting has changed.

Ultimately, there appears to be a reduced demand in the GEF for science-related research projects. One project manager from Senegal asked the GEF to encourage such projects in order to deal with information gaps in countries with weak data availability and research capacity.

8. Relevance of the GEF Modalities and Future Options

For the purposes of the Joint Evaluation, *relevance* is considered as a measure of how closely a modality matches a need and/or request. What is relevant to one stakeholder may be less of a priority to another. This chapter considers trends and options for modalities in the future, including newer GEF approaches such as programmatic approaches and umbrella projects.

8.1 Looking to New Modalities

The best way to deliver global environmental benefits or global goods remains elusive. Many other facilities, foundations, or funds in other thematic areas have different approaches to deliver assistance than does the GEF. Although program governments and the donor community are increasingly focusing on poverty alleviation, mainstreaming the environment is advocated in that sustainable development cannot be delinked from the environment. Global environmental issues (climate change, biodiversity, land degradation, pollution) are increasingly being recognized as a responsibility of developed countries even while they require a commitment from all countries. Addressing these issues will require "additional financial means to be channeled through external thematic programmes, over and above complementary country-specific allocations" (EC 2005a). The importance of global funds such as the GEF has also been remarked upon by several multilateral donors, while recognizing that evidence on performance is not conclusive:

> Global initiatives and global funds are powerful instruments for launching new policies or bolstering new measures that do not have a broad enough scope to help meet [Millennium Development Goals]. When focused on a particular theme such as…environmental protection…they attract attention…In principle at least such initiatives are capable of mobilizing additional financial resources such as private funds. However in practice, evidence is not conclusive…Mechanisms are needed whereby activities financed by global funds can be brought back into the fold of ordinary country or regional cooperation after a few years (EC 2005a).

"Compare GEF procedures with those of the Multilateral Fund of the Montreal Protocol on Substances that Deplete the Ozone Layers, which also provides outright grants but based on a faster processing and approval mechanism."—Interviewee in Sri Lanka

The Foundation Model

The question remains whether grants for global goods, such as global environmental benefits, are best delivered by ad-hoc stand-alone projects. This is linked to a larger issue, namely the optimal way to provide funding for such grants. The GEF has evolved over time from its first incarnation as a pilot facility to a restructured instrument. From the beginning the GEF was unique in

being a "loosely structured, action-oriented organization that did not entail a new bureaucracy" (Sjöberg 1999). The GEF may have been one of the first such international global funding mechanisms; since then, a number of facilities, funds, or foundations have been created in other fields.

The foundation model in particular provides relevant lessons for the GEF experience, as a funding mechanism that delivers grants to a considerable number of recipients in a low-cost manner. Foundations are similar to the GEF in that they are project-oriented and quality-oriented by providing grants to the first-come, first-served "best projects" within their mandate. Foundations differ from the GEF, however, in that they are based on a competition model, and not a partnership approach, as follows:

- Projects are promoted by casting the net widely among project proponents, with allocation based on competition and public criteria. Documentation is brief to ensure that a large volume of proposals can be reviewed. A high level of rejection is therefore acceptable; for example, the Ford Foundation accorded 2,091 grants in 2004—5 percent of applications.
- There is no funding investment or support provided for project formulation, pipeline, or reimbursement of project preparation costs. Documentation is also brief to ensure that project proponents can assume the efforts of submitting proposals.
- Decision making on the project proposal is prompt and final, based on either a request for proposal, periodically issued to address targeted areas; or an unsolicited letter of inquiry or request, which then normally reverts to the request for proposal procedures. For example, the Bill and Melinda Gates Foundation calls for three steps for unsolicited requests: (1) online submission form with summary information about the proposal; (2) a four-page narrative document with project goals, objectives, background and rationale, implementation plan, evaluation plan, and budget; and (3) review process, with immediate confirmation of receipt, a decision regarding whether it has been accepted within six weeks, and—if accepted—an invitation to submit a grant proposal. There is no negotiation or amendment of proposals.
- Apart from the allocation criteria, there are no requirements for the project formulation process. Some foundations have requirements regarding proposal content, but most allow for flexibility in formats for submission and reporting. The Ford Foundation simply asks for a letter and a formal proposal with limited information—specifically, a description of the proposed work and how it will be conducted, the names and curricula vitae of those engaged in the project, and a detailed project budget.
- Grant allocations are based on full transparency—clear criteria, process, time frames, and standards—and panel participation, yet retain decision-making authority based on quality assurance mechanisms. Many use electronic online submissions. The foundations do not depend on a large infrastructure for implementation, which implies lower overhead costs and administrative arrangements.

Foundation-type organizations include the Ford Foundation, the Bill and Melinda Gates Foundation, the Joint United Nations Programme on HIV/AIDS (UNAIDS), the UN Foundation Democracy Fund, and the Global Fund to Fight AIDs, Tuberculosis and Malaria (see box 8.1).

Box 8.1

Foundation Example: The Global Fund to Fight AIDs, Tuberculosis and Malaria

The Global Fund was formed in 2001 by an alliance of bilateral, multilateral, and private sector partners to address the growing AIDs, tuberculosis, and malaria epidemics in developing countries. It is a financial mechanism only with no on-the-ground presence. Country committees put forward projects for the Global Fund's consideration. Projects are monitored at the national level, in a limited way, through local fund agents—these can be UN agencies or major consultancy companies such as PWC and KPMG—which assess disbursements and make sure funds are spent in accordance with project design.

As with the GEF, a key principle of the Global Fund is that grant funding must be new and additional to existing government and donor programs. Most funding goes to NGOs and community-based organizations, and the rest to governments. The Global Fund does not operate through implementing agencies, but cooperates with UNDP, UNAIDS, the World Health Organization, and the World Bank on health projects.

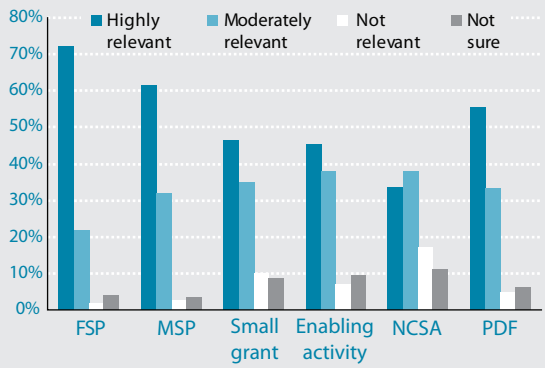
Project proposals are fully developed before being presented to Global Fund operational managers, a technical review panel, and (for final approval) the Global Fund Board. All project proponents must complete a financial and programmatic gap analysis and technical matrix as part of the project proposal to show how each funded component contributes to "over and beyond" baseline conditions. Since 2001, the Global Fund has funded approximately 330 projects in over 100 developing countries. The Global Fund reviews project progress after two years (projects are normally for five years), at which time evidence of additionality is taken into account.

Responsiveness of Modalities to Stakeholders

The project modality used by the GEF remains relevant to stakeholder needs. However, the numerous GEF variations of the project modality and the cumbersome procedures associated with them have reduced their ability to meet these needs. Projects are the mainstay of development assistance, and will remain relevant to needs provided they are integrated with national priorities; are coordinated, flexible, and dynamic; provide sufficient support to needs; and produce results. Survey respondents judged most GEF modalities to be highly relevant to the GEF mandate (see figure 8.1). The question is therefore not whether the project modality is relevant, but how to make it more so.

Figure 8.1

Perception of modality relevance to GEF mandate



In response to and based on guidance from the convention COPs—in particular the UNFCCC—the GEF has established new modality variations such as the enabling activity, the enabling activity umbrella, and the special climate change funds that address specific issues or select target groups. The FSP modality appears less able to address the full set of COP needs. At the same time, the variations in the modalities, and a lack of information on their operation, appear to cause some uncertainty among local stakeholders.

Both for the GEF Agencies and the national stakeholders, it appears that better integration into existing systems and approaches would make the modalities more relevant to their priorities and practices. For example, all GEF Implementing and Executing Agencies operate with projects; though none differentiate according to budget size or ter-

> **"The GEF/SGP in Vietnam is seen as a showcase for GEF projects, by achieving more for less. The program is viewed as a fast, friendly, effective, and flexible mechanism for promoting the attainment of national environmental priorities at the local level."**—Vietnam National GEF Action Plan Support Project, June 2006

minology (for example, an enabling activity is also a project). Modalities such as the Small Grants Programme in particular, but also the NCSA and other enabling activities, appear to be more nationally owned. The notion of incremental costs has reduced the relevance to immediate national priorities.

For the GEF, the growth in different ways of doing business is caused in part by the inability of its primary modality—the FSP—to dynamically deliver a desired range of support or to address specific client needs. The GEF has not made full use of approaches that would make its modalities highly relevant to national systems, such as program approach, decentralization, and budget support.

There is considerable stakeholder demand for more GEF programmatic approaches, sector-wide approaches (SWAps), and micro-project grant approaches, as suggested by interviews and the survey. There is also an interest in modalities focusing on financial mechanisms, such as investment modalities and loan guarantees, nongrant financing modalities particularly to engage the private sector, and public-private partnerships. Other new modalities mentioned for the GEF's consideration include technical assistance and capacity building, country support programs, budgetary support with clear performance indicators, closer work with IAs (basket funding), analytical work and technical expert working groups, grants for local governments, outsourcing, debt swaps, direct execution, and emergency funds for natural disasters.

All of the effective and efficient modalities mentioned above are used by the GEF Agencies and other donors, but have so far not been used by the GEF. Many of these may be equally or more relevant to GEF needs than the traditional FSP; this is discussed further below.

8.2 Emerging GEF Modalities

The GEF urgently needs to provide greater clarity in terms, definitions, application, and policies regarding different types of projects and modalities. Over the last few years, the GEF has seen a proliferation of new modalities in the form of special funds, and new and overlapping terms and practices concerning modalities. This expansion of options creates confusion among stakeholders and misunderstandings among partners, causes concern for the Council, and renders any assessment of modalities difficult. The most important of these are programmatic approaches, umbrella projects, targeted portfolio approach, corporate programs, phased and tranched projects, country programming and country programs and programming frameworks, subprojects, partnership approaches, delivery mechanisms, financial mechanisms, and disbursement mechanisms. Many terms concern global or regional FSPs. The evaluation has mapped these, and identified key issues and possible classifications. (See table 8.1.)

Differentiating among Modalities

There is a general misunderstanding among stakeholders about the difference between programmatic approach and umbrella projects and country programs, and between umbrella projects with subprojects and financial disbursement mechanisms with credit lines with subprojects. Although the umbrella approach has been used

Table 8.1

Other GEF modalities

Project type	Definition: What are they?	Key outputs: Why does GEF do them?	Characteristics: Where are they?	Issues: How are they implemented?
Programmatic approach	Phased and sustained support for implementation of a multiyear program, in partnership, that integrates global environmental benefits into national plans; also called *partnership approaches*	• Regular project results • Long-term impact • Synergy • Coordination	• One country or regional (international waters, climate change) • Normally several GEF projects or one large project (for example, China land degradation)	• Currently as a regular project • Normally no GEF country components • Some are tranched or phased • Usually more coordination
Umbrella project	Bulk resources to Agencies with some delegation of authority on how to spend	• Subproject per country (if FSP is global or regional) or *country programs* • If FSP is in one country, subprojects	• Normally more countries, not decided in advance • Can be one country if large project (Argentina small MSP)	• Delegated authority • Selection of countries (if FSP is global or regional) for allocation OR competitive bidding (if country FSP)
Targeted portfolio approach	Cost-effective way of delivering a large number of relatively small projects to countries in a timely manner	MSPs per country	Global or regional (land degradation)	Type of umbrella project
Corporate programs	• Directed at key GEF stakeholders to perform their functions (often community based) • Flagship efforts • Global support projects	• Country components • National plans (which can result in smaller projects) • Enhanced GEF image	• Mainly global, some regional, no country • Countries are generally decided in advance	• GEF Secretariat involved • Normally type of umbrella project and phased • Some delegated authority • More reporting • Separate funding
Delivery mechanisms	Disbursement mechanism for project funds, internal project arrangements (also called *financial mechanisms*)	• Credit line • Grant line • Guarantee facility (that can result in funding smaller projects)	Normally project in one country, can also be regional or global	• Can be done under any FSP, umbrella, or other project • Criteria for credit line • GEF does not implement the funded projects

since the beginning of the GEF (in the Small Grants Programme), there is still a lack of clear understanding of what this approach entails. There are also overlaps in terms and approaches that are not limited to one modality. For example, a phased project may be a regular country FSP within a programmatic approach, or within an umbrella approach, and also normally for GEF corporate programs. New terms are being coined that are, in effect, a variation of another term or modality (such as targeted portfolio approach). Delegation of authority takes place in various ways, but does not in itself constitute an umbrella approach. Because of this conceptual confusion, the evaluation found that many projects are wrongly categorized when they are being reviewed; this was

especially true for programmatic approaches and umbrella projects.[1]

In differentiating among these various approaches, several characteristics should be considered:

- What are the intended *outputs* of the proposed project? If the output is a credit line or guarantee facility, which is a common delivery mechanism, this is not an umbrella approach per se. Will there be country components or subprojects (in one ore more countries) that themselves are of such a scope that project design would be required?
- *Who* is intended to finance and implement the subprojects? Are the subprojects part of the proposed project budget (to be funded by the GEF), or will they require new and additional funding by the GEF or others? Are the subprojects to be implemented by the Agency of the proposed "mother" project, or are they to be implemented by a third party? Are decisions made by one Agency or by committee?
- Based on what *criteria* will subprojects be developed? Are the countries or subprojects already preselected, will they be determined by the Agency, or will they be selected through competitive bidding?
- What is the *financial envelope* and what are related decision-making and reporting requirements? How does the financial scope of the subprojects reflect the practice of delegated authority in the GEF for other modalities (CEO approval of enabling activities and MSPs; Council approval of the larger, higher financial risk FSPs)?
- Is there a need for *long-term support* to achieve impact? Are future needs clear now, and, if so, are future phases needed? Can trigger mechanisms be developed? If future needs are not yet clear, when will they be ready?

Modalities That Reflect Continuity and a Long-Term Vision

There is considerable unmet demand from countries for a long-term vision and programming for the GEF that goes beyond the practice of approving individual projects. Grouping or sequencing projects is an appropriate response to country needs and to the need for increased efficiency, but it should be pursued in a more systematic and coherent manner. With a clearer operational policy, mechanisms to provide reliable support based on a long-term vision are fully in line with the nature of global environmental benefits, the RAF, donor harmonization practices, and country priorities. Country visits and stakeholder consultations reflected two main implications for modalities for such support: (1) programmatic frameworks, and (2) tranched and phased projects, consistent with such programming.

Broader *programmatic frameworks* within which individual projects of various sizes could be positioned without full concept development and preparation process were strongly called for in stakeholder interviews. The Climate Change Program Study found that GEF interventions are often too diffuse to make a strategic impact; this could be addressed by a more focused and selective approach guiding its operations in each country (GEF EO 2004b). GEF country strategies—especially for larger recipient countries—could identify eligibility and areas for GEF involvement in each country, based on GEF policies and country priorities. This would also help address elapsed time in project formulation, by supplying an outline of what projects would be planned in a given country and answering to the problems of vague GEF criteria for financing.

Box 8.2

Tranched Approaches

An interviewee in Senegal noted that a key problem with the GEF is its inability to deal with tranched projects. For example, in the Integrated Ecosystem Management in Four Representative Landscapes of Senegal project, it took the GEF 10 years, or three tranches, along with a very detailed logframe to finally become convinced of the utility of tranching. Although it was difficult to make a logframe for such an extended project, it made for better planning and a more realistic project. The interviewee noted, "Each tranche should have an independent evaluation verifying specific benchmarks; that is acceptable. But why does the GEF require a new project document, even if there are no changes, making the proponent go through all the procedures again, including endorsement and approval? "

Continuity of programming is frequently critical to the success of a project and to its level of impact and sustainability. Those interviewed in all countries and at the Agencies, as well as the survey respondents, suggested more use of benchmarking and phasing, with trigger mechanisms for releasing funds to the proponent based on agreed milestones. (See box 8.2.) In the present GEF process, such projects are, with few exceptions, treated as new, posing the same requirements as a short-term stand-alone project with no forward planning. Beyond their increased efficiency, phased projects would help provide incentives for delivery and promote integration of lessons learned by providing "breathing space"—an opportunity to step back and see what has been achieved and redirect the overall effort as necessary to reach the objective. For example, projects could be divided into a training and capacity-building phase, a demonstration phase, and an implementation phase, as appropriate to the needs of each project, and GEF funding allocated in sync.

The 2001 PPR already identified this need:

> Phased approaches to projects are seen as one of the essential modalities to be explored for introducing flexibility into project design and management. This will necessitate the careful development of indicators, closely related to the objectives of the project, and the introduction of triggers that would enable GEF to move into the next phase of the project (GEF 2002a).

Although currently, subsequent tranches of financing are to be approved by the CEO after circulation for Council review, there has been a tendency to review these at Council meetings. With some experience of phased projects, it is now opportune to consider the level and detail in the original overview of the entire project and an indication of the entire budget expectations when approving the first phase of financing, and procedures for subsequent release (GEF Council 2000, paragraph 27; GEF Council 2001b, paragraph 43). The variations and experience of these evolving approaches are discussed in further detail below.

Programmatic Approaches

In the GEF context, a programmatic approach is understood as "phased" and sustained support for the implementation of a multiyear program, undertaken in partnership, which better integrates global environmental objectives into national strategies and plans.[2] The Joint Evaluation survey noted widespread demand among GEF stakeholders for further utilization of the programmatic approach, which was first supported by the GEF Council in December 1999. While it is still too early to evaluate the programmatic approach, initial observations indicate that mixed results may be caused by ineffective application.

The GEF definition of *programmatic approach* is not consistent with other donors'; the concept seems to have been stretched to label projects with very different natures, and it has not been applied systematically. The "programme approach" was first mandated by the UN General

Assembly in a landmark 1989 resolution. Several of the GEF Agencies have useful frameworks for the program approach.[3] GEF guidance notes, "It is important that the overall aim of embarking on a GEF programmatic approach should be very clear, specifically, what the approach is, and what it is not" (GEF 2001e). This has not been the case, however. Projects using a programmatic approach (see box 8.3) simply reflect common elements of partnering, a large project budget, and some attempts at coordination.[4] Thus many observations also hold for "regular" projects. The present GEF Project Management Information System does not identify which projects follow a programmatic approach, which renders monitoring of its effect difficult.

GEF projects under the programmatic approach were not always part of a broader national strategy. The decision to adopt the programmatic approach, according to establishing GEF documentation (GEF 2001e), should be made by the recipient country and lead to the development of a programming framework for the defined scope of the program.[5] In 2001, the GEF Secretariat proposed to the Council that the programmatic approach be piloted in five to seven countries over the next two to three years, to demonstrate and catalyze this new way of doing business. It was not clear at the time if this programming framework would be that of government—as is the rationale behind the programmatic approach—or of the GEF; in any case, no such framework seems to have been developed for countries or focal areas. For example, climate change project documents under a programmatic approach do not refer to such programming frameworks for renewable energy. However, some projects do seem to have been integrated into a broader national agenda, such as the China Land Degradation in Dryland Ecosystems project and the Brazilian Amazon Region Protected Areas project.

> **"GEF should move from isolated projects to more programmatic approaches. The old fashioned project cycle with multiple layers of approvals doesn't promote this."—Survey respondent**

The evaluation found that partnership thinking and coordination among GEF projects should be the norm regardless of whether other aspects of long-term planning and national integration are present, and do not constitute a program approach to countries in themselves. Thus, initiatives classified by the GEF Secretariat as programmatic approaches—such as the global SGP, the IFC Small- and Medium-Scale Enterprise Program, and the African Stockpile Program—are basically partnerships between the GEF and Agencies. The key element of the program approach is the country drivenness that allows better coordination and synergies with national plans; a geographic and technological focus does not lend itself easily to that. Regional initiatives are by definition partnerships among countries. For example, the international waters projects such as the World Bank-GEF tranched initiative for nutrient reduction in the Danube River-Black Sea Basin relate to broader global benefits goals involving projects in different countries.

Project approvals and reviews were seldom expedited, thus not optimizing the programmatic approach's advantage of reduced transaction costs. The GEF has mainly applied the programmatic approach through phased projects, with no procedural concessions to its long-term nature. For example, for the Chinese land degradation project, the recipient country expressed some discontent over the GEF's inability to deal with programmatic approach projects in an expedited manner. Similarly, no expedited approval pro-

Box 8.3

The Mixed GEF Application of the Program Approach

- **Project-based or program-based approaches: technology programs.** In the climate change focal area, several countries—including Sri Lanka, India, Mali, Mexico, and Uganda—have had a series of related projects for specific technologies and operational programs, mainly renewable energies. As the 2004 Climate Change Program Study pointed out, "In practice, the [programmatic approach] has taken the form of follow-up phases of initial projects with expanding scope as 'replications'…A phased project approach is certainly recommendable to invest in market transformation. A next step would be a forward-looking and transparent priority framework with common goals and intended results that facilitates country programming" (GEF EO 2004b).
- **Project-based or program-based approaches: retro-programming.** Some country portfolios focused on one technology, such as the sequential projects on cogeneration in biomass gasification applications in Brazil. While there was no national plan per se, the program's internal strategy was mostly developed by the Brazilian counterparts. The approach included two technical assistance projects by UNDP, followed by two financial assistance projects from the World Bank and IFC. The World Bank project never matured through appraisal because of a lack of viable economic opportunities and dependency on oil prices.
- **Project-based or program-based approaches as part of a larger strategic context.** In Mexico, support to protected areas has evolved into a program. It started under GEF-1 with the Protected Areas Program to assist the country's National System of Protected Natural Areas. This project was restructured to create the Fund for Protected Areas in a public-private partnership between the government and the Mexican Nature Conservation Fund. The annual interest of the endowment fund is channeled to the protected areas via NGOs that are in charge of accounting and hiring personnel. The Consolidation of the Protected Areas Program and four tranches are a continuation of this kind of support to the protected areas system. Two other projects, Biodiversity Conservation in the Sierra Gorda Biosphere Reserve and Integrated Ecosystem Management in Three Priority Ecoregions, are included in the programmatic approach. The former looks to pilot a different type of public-private partnership with a local NGO that has been relatively successful in raising funds and attracting international donors.
- **Project-based or program-based approaches: country program.** One of the more promising examples of a program approach is the China Partnership on Land Degradation in Dryland Ecosystems, which has been country driven. The China Partnership comprises three phases, with $40 million earmarked for GEF-3. However, Council approval is granted on a project basis. Thus far, two projects are approved under the partnership. The development of the programmatic

(continued)

cesses had been envisioned for the climate change Brazil biomass projects. Streamlined approval processes were foreseen for the second and third phases of the fuel cell bus projects, but only to the point that no new pipeline entry was required for later phases; in any event, these phases were never developed or approved. This presumedly streamlined approval process was counter-checked with more stringent reporting requirements to the GEF Council. The approval process within the Fuel Cells financing initiative has been somewhat streamlined through the umbrella entry for work program inclusion (three subprojects were approved as one project followed by three subsequent CEO endorsements for the subprojects). This parallel approach to project development does not allow for the flexibility required by innovative projects for adaptation to the local environment and evolution of policy and technical needs. Each of the four Nutrient Partnership projects has different start and closing dates (from 2007 to 2012), which does not increase the efficiency of the broader investment fund. Also, each project has its own M&E strategy without indicators for monitoring progress in implementation of the whole investment fund (strategic partnership).

Box 8.3 *(continued)*

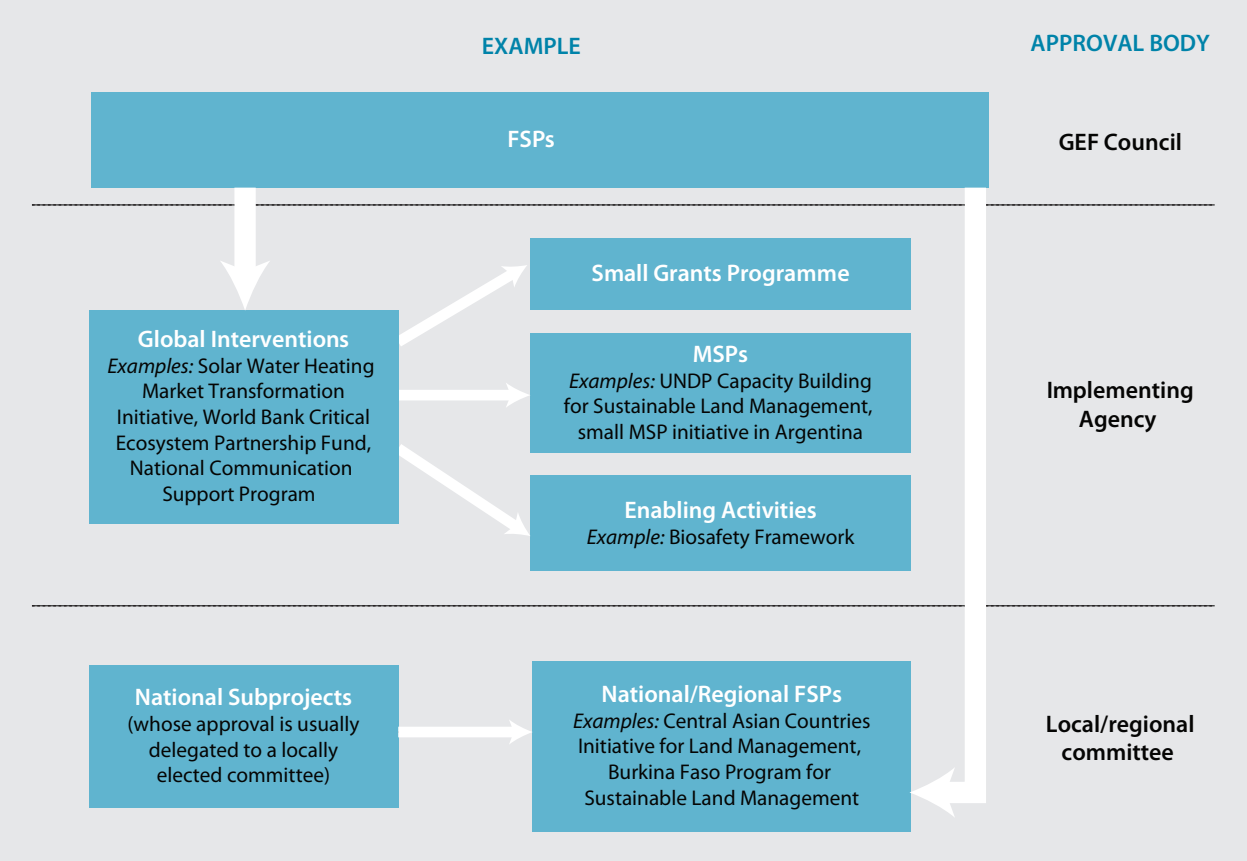
approach in China was first initiated through discussions between the government and the GEF CEO in 1999. This OP12 (Integrated Ecosystem Management) program started with a small technical assistance grant through ADB to develop a concept; most of the funding was used for international consultants, and progress was slow. After 1.5 years, a PDF-B was developed, followed by a PDF-C. The program was approved in 2002 for $7 million for phase I. It has been challenging to mobilize the funding for the subprojects. A limitation to the utility of the programmatic approach is the GEF's constrained financial situation, since it cannot commit to proposals beyond GEF-3.

- **Geographically based approaches, mainly regional or global activities.** In the international waters focal area, the Danube River and Black Sea region was chosen as a test area for a geographically based programmatic approach developed among the IAs, 17 countries, and the GEF Secretariat. The approach, which was presented to the GEF Council in 2000, includes: two final regional projects through UNDP (one with UNEP components) for Black Sea and Danube basin countries, focusing on implementing reforms and building capacity; the approved Dnieper basin project (UNDP); and the GEF-World Bank Strategic Partnership on Nutrient Reduction, to assist 15 recipient countries in the basin in implementing two strategic action programs through four projects in Turkey, Bulgaria, Romania, and Moldova. Other developing approaches in the international waters area include the Mekong River–South China Sea (four projects); the Nile Basin Initiative; the Plata River basin, with three projects during 1996–2000; two concepts for Uruguay and Brazil; and seven international waters projects and four biodiversity projects included in the informal coordination among the three IAs. In the climate change area, similar approaches are being used for regional geothermal programs in Europe and Central Asia, Africa, and Latin America and the Caribbean.
- **Partnership-based approaches.** The GEF has defined partnership-based approaches as an umbrella commitment by two or more partners to a thematic or sector issue with strategic objectives over a longer time frame, through specific projects. Many examples exist, including global partnering around thematically based climate change project clusters, mainly in OP7 (Reducing the Long-Term Costs of Low Greenhouse Gas–Emitting Energy Technologies) for innovative and risky fuel cell and solar projects. The strategy involved developing multicountry portfolios of similar projects, or expanding the portfolio in parallel to a technology program. For projects on concentrating solar power (India, Morocco, Mexico, Egypt), the effects of power sector reform on the investment climate in the respective markets was underestimated; for projects on fuel cell buses (Mexico, Brazil, Egypt, India, China), the technological problems have been underestimated. Similar "portfolio expansion approaches" can be seen in other replication-and-scaling-up initiatives, such as energy efficiency credit funds in Eastern Europe. Many other global FSPs are also GEF partnerships with several Agencies involved such as the African Stockpile Program.

When presented at the 2001 Council meeting, the programmatic approach was expected to provide for synergies across the GEF focal areas within a framework of national sustainable development, improved opportunities for scaling up global environmental benefits, and an open and transparent dialogue-driven process to increase political will and ownership. Programmatic approaches could therefore serve as a building block for the dialogue on priorities that is now required by the RAF. In interviews, country stakeholders have pointed to additional success factors of the programmatic approach: leveraging of financial contributions and coordination by all donors, including local sources; likelihood of sustainability by integration into national schemes; improved recognition of the GEF in donor harmonization; possibilities to better utilize the comparative advantages and technical approaches of each of the Agencies; and reduced transaction costs. It is important to demonstrate that the programmatic approach works, for changes in GEF systems and procedures over time.

Figure 8.2

The umbrella approach



Note: Some global interventions describe their subprojects as MSPs or enabling activities. That does not imply, however, that these activities follow the regular MSP or enabling activity cycle, since they are approved directly by the IA. UNDP's Capacity Building for Sustainable Land Management project, for instance, adopts an expedited MSP approach for approving subprojects.

Umbrella Approach

Over the last few years, in a bid to improve the efficiency of the Activity Cycle, the GEF has developed an *umbrella approach* that decentralizes decision making by transferring bulk resources to the Agencies for global interventions, and transferring resources to national/regional project executing agencies to approve specific subprojects within a full-size project. Both the global initiatives and country FSPs using an umbrella approach are subject to the regular FSP cycle. However, the subprojects financed from these FSPs are approved by the Agencies in accordance with their respective procedures, or by locally elected committees (see figure 8.2). Examples of umbrella approach projects include the SGP, the Biosafety Framework, Brazil's National Biodiversity Mainstreaming and Institutional Consolidation Project, and the National Communication Support Program (second phase 2005–10). (This last, established as part of the financing of UNFCCC national communications, was launched in June 2005; is jointly managed by the GEF, UNDP, and UNEP through an advisory committee chaired by the GEF Secretariat and is implemented by UNDP.)

For the purposes of the Joint Evaluation, *global interventions* are defined as projects that transfer the bulk of resources and decentralize approval

of subprojects to an Agency (or more than one Agency). These subprojects usually involve the same subject area (such as a specific technology or capacity need) to be implemented in several countries. The UNEP Implementation of the National Biosafety Framework, the UNDP LDC and SIDS Targeted Portfolio Approach for Capacity Development and Mainstreaming of Sustainable Land Management, and the UNDP-UNEP National Communication Support Program are examples of such global interventions.

The evaluation found that the term "umbrella approach" for full-size projects at the country level has often been used incorrectly. Frequently, such projects contain disbursement modalities rather than an umbrella authority with financial delegation to an Agency. For example, projects in each focal area have adopted decentralized decision making for the approval of smaller subprojects by a locally elected committee. The creation of a fund from which small-scale subprojects are financed is also common. In climate change, revolving funds are frequently used to remove market barriers. In these cases, the main project output is a credit line or guarantee facility with specific procedures and criteria, which in turn will finance promoters' small- to medium-scale projects on a competitive basis. Examples of umbrella FSPs include Conservation and Sustainable Use of Biodiversity in the Kazakhstani Sector of the Altai-Sayan Mountain Ecoregion and the Namibia Strengthening the Protected Area Network project.

The umbrella approach is expected to reduce the amount of time it takes to deliver resources for project implementation at the country level, provide savings in Agency fees, and provide Agencies with more flexibility in responding to individual country needs.

According to UNDP, its LDC and SIDS Targeted Portfolio Approach for Capacity Development and Mainstreaming of Sustainable Land Management project would achieve cost savings in project preparation and implementation of over $15 million for using an umbrella approach as opposed to the usual by-project approach. The savings would come mainly from technical assistance for capacity building during project implementation, since training material would be developed and administered by a few institutions, generating economies of scale, as opposed to a project-by-project scenario where each project would hire a training institution individually. Questions may arise, however, as to the suitability of having institutions dealing with 48 different countries and their flexibility in responding to a country's specific needs. Some savings would also come from project preparation, which would be carried out by regional and national consultant teams, as opposed to individual PDF-As. UNDP assumed that all 48 MSPs would use a PDF-A in a business-as-usual scenario. Considering that, on average, 49 percent of all approved MSPs have used a PDF-A, this savings of $1.2 million appears to be an overestimate.

The evaluation found that under the current Activity Cycle, the main savings would be in terms of the time and effort needed for preparation, appraisal, and approval, which is not possible to quantify in the UNDP example above. It is obviously faster to develop one overall global project, which has on average a shorter elapsed time, than to develop a large number of country FSPs or even MSPs for which relative elapsed time has increased the most. There is little experience with the actual implementation phase, though the UNDP-UNEP umbrella enabling activity for UNFCCC national communications approved in November 2003 shows promising results of quicker disbursement to countries. Further research should compare the cost of project preparation and implementation under an umbrella

approach to the business-as-usual approach, in order to assess under which conditions there are cost savings.

Umbrella approach projects are expected to generate more country ownership and local participation, since decision making is decentralized. These projects also have the potential to be flexible and well suited for adaptive management, since they can respond flexibly to countries' changing needs. There is a need to differentiate between *preparation* of the umbrella project itself—for which all concerned countries may not have been consulted equally—and *participation* in the subsequent development of country components or subprojects. Where country demand and such consultation processes are clearly established from the outset, **the evaluation found that an umbrella project is a suitable approach to ensure ownership and participation.** Several country proponents noted that it is difficult to engage beneficiaries in a project that has not started and may not start until years from now (if at all). However, care should be taken that any savings in time elapsed for approval of the main umbrella FSP are not offset with elapsed time at the country level for subsequent approval of subprojects.

Global initiatives seem to be more flexible in their ability to adapt to countries' needs; however, they do not necessarily lead to more local participation, especially if decision making is handled at Agency headquarters. Other umbrella initiatives, such as the SGP, are widely recognized for improving country ownership and local participation. The umbrella approach FSPs, which normally set up locally elected committees to approve the subprojects, may also lead to more local participation and increase a project's suitability to local needs. The evaluation also heard positive feedback on the clear and effective mechanisms of the World Bank's Global Critical Ecosystem Partnership Fund. Ultimately, umbrella projects may provide value added in two different scenarios: providing efficiency and coherence where similar components in different countries need a standard approach, or providing flexibility to address specific needs though different components in different countries.

A key issue for umbrella approach projects is the degree of detail required in the upfront definition of subproject approval criteria—for example, in documenting the due diligence procedures used by the Agencies with regard to the individual subprojects. Subprojects that are subject to formal competitive bidding are, of course, covered by Agencies' procurement procedures. The importance of adaptive management should allow for leeway at the national level for governments and Agencies to determine detailed activities as needed, with a clear decision-making process and resource allocation. Rather than establishing more requirements for appraisal and justification, one alternative is ex post reporting on results. In any case, there are particular challenges to general monitoring of regional and global projects. In recognition of this fact, the GEF Costa Rica Country Portfolio Evaluation recommended a separate evaluation of regional projects in Central America (GEF EO 2007c).

Corporate Programs

Corporate programs are a specific variety of umbrella project—global FSPs. All corporate programs are designed to strengthen the capacity of the partners participating in the GEF to contribute to the achievement of its goals (GEF 2005h). According to the GEF-4 programming document, there are two main types of corporate programs: (1) a "core component," exemplified by two programs—Support to GEF Focal Points (approved in May 1999) and the GEF National Consultative Dialogue Initiative (approved in May 2003),[6] which

are funded through ongoing projects approved by the Council or special initiatives approved in the corporate budget; and (2) "other corporate programs," which are financed by contributions from the focal areas to support cross-cutting capacity building, and examples of which include the LDC and SIDS Targeted Portfolio Approach for Capacity Development and Mainstreaming of Sustainable Land Management, and the SGP.

Targeted financing for LDCs and SIDS is to

> be provided at the country level and managed through a multi-stakeholder decision-making process to provide flexibility and agility to these countries to undertake small projects to remove barriers to good management of global environmental issues at the country level (GEF 2005e).

The SIDS countries have indicated that GEF current modalities do not fully serve their needs and have requested "smaller, more flexible funds, and backstopping by regional organizations" (Aisi 2006). OPS3 recommended continued promotion of "smaller scale projects that fit the capacities for SIDS; the pilot program for smaller MSPs is a step in the right direction" (GEF 2005e). The corporate program responds to SIDS capacity-building needs; there is currently no plan to replicate the pilot small MSP experience from Argentina (see chapter 7) in the SIDS soon.

Specific challenges to effective monitoring and evaluation apply to global umbrella projects, which encounter the same workload and implementation issues as other umbrella projects. Given the original partnership nature of the GEF, there is considerable uncertainty regarding the corporate concept, which normally refers to the management character of an organization or company. A firmer definition of the corporate nature of projects would be useful, considering the following modality-related features:

- **Joint corporate management.** The GEF-4 programming paper states that the core corporate programs are "centrally managed within the GEF family" (GEF 2005h). With this central management, it is unclear to stakeholders how they will "contribute to the achievement of the focal area goals," as intended. The GEF-4 programming paper also states that the programs would build upon the country dialogue of the Agencies. However, the evaluation found no evidence that corporate programs are subject to broad Agency involvement or consultation; rather, a given project is the responsibility of its Implementing Agency (or Agencies), with varied levels of engagement from the GEF Secretariat corporate team. The result has been an understandable resentment on the part of the Agencies regarding attempts made to mobilize support from other Agencies excluded from the related corporate program. The differentiating factor is the extent to which the GEF Secretariat is involved. Clarification of whether "corporate" means GEF Secretariat management or GEF family management is needed.
- **Specific target groups.** Core corporate programs support specifically targets GEF national focal points and Council members in recipient countries, who carry out their roles and responsibilities for the GEF as a whole more effectively. One of the purposes of the National Dialogue Initiative is to "achieve greater mainstreaming of GEF activities into national planning frameworks" (GEF 2005h) for which cycle procedures are strongly related. The other corporate programs do not have this feature.
- **Continuous funding arrangements and simplified cycle procedures.** It is recognized that "corporate programs require a well identified source of financing to ensure predictability and effective programming" (GEF 2006h).

The corporate programs have unique funding arrangements, with separate allocations from focal areas and/or the corporate budget, and the acceptance of phased approaches. While this is encouraging, other umbrella projects have been subject to qualifications in approval by the Council, although by their nature they could be considered a corporate program or pilot. This applies to projects that pilot modalities for the GEF and that are not undertaken primarily or solely based on country needs. The RAF has also raised concerns about implications for ongoing programs.

As a modality, the SGP has delivered large amounts of support to a considerable number of countries quickly and to the satisfaction of stakeholders, through a model for decentralized decision making to the partner countries. The SGP was launched in 1992 to provide grant support for community-level initiatives that contribute to global environmental benefits. The reported allocation of $175.2 million represents

Box 8.4

The GEF Small Grants Programme: Success Factors

- **Umbrella project with decentralized approval and long-term presence.** Since 1999, the GEF SGP has been operating under yearly work plans with specific deliverables and benchmarks and annual rolling replenishment of funds, with an Agency fee of 5 percent. The SGP is not subject to the full Activity Cycle. After the GEF Council approves the SGP financing installments, UNDP allocates resources across countries. This method has allowed for quick disbursement to countries and the issuance of microgrants to proponents; before implementation of the rolling approach, some disruptions in disbursement were noted due to delays in FSP approval by Council.
- **Local coordination mechanisms, functioning independently.** Local coordination mechanisms have allowed emerging issues to be solved locally and in an expedited and flexible fashion. Projects are selected independently by a national steering committee, relying on knowledge of local circumstances; this increases their fit with national and local priorities. Project review is thorough and competitive, with a reported 20 percent of requests approved. Identification, preparation, and implementation of new projects are undertaken by NGOs and community-based organizations that are highly knowledgeable of local challenges. The SGP national coordinators play a fundamental role in the success of this modality.
- **Strong ownership through local approaches to design.** The SGP has created new channels for project conception aimed at interaction with a larger array of stakeholders, such as writing project proposals in local languages. Ownership is promoted through the engagement of NGOs and community-based organizations in project conception, preparation, and implementation. The heavy capacity-building components contribute to building capacity at the local level and raising awareness of environmental issues.
- **Active local resource mobilization with no incremental cost analysis.** The local SGPs emphasize strong outreach and participatory approaches, but without a requirement for incremental cost analysis. This has enabled leveraging of in-kind and cash cofinancing from different sources—national and local governments, NGOs, and locally based bilateral donors—and created synergies and coordination with other programs including GEF FSPs.
- **Incentives for innovation and flexibility in different approaches.** By dealing with projects that seek solutions for local challenges, the SGP supports stakeholder participation and innovative approaches to environmental challenges that are consistent with the GEF operational programs. It also has flexibility to adapt to a changing environment. The lower financial risk encourages innovation.
- **Strong centralized support for M&E with only biennial reporting.** The SGP has a decentralized M&E system, whose activities include assessment of project effectiveness and development of lessons regarding achievement of global and local benefits. The biennial program review facilitates drawing lessons and conclusions for the SGP as a whole and across countries, with formalized mechanisms for knowledge sharing.

more than 6,200 grants to NGOs and community-based organizations in 95 countries. The in-depth evaluation of the SGP scheduled for the December 2007 Council will provide more detail on program results. In this corporate umbrella program with the longest track record, the evaluation identified several modality success factors that could be replicated by FSPs and other approaches (see box 8.4).

8.3 Other Relevant Aid Delivery Modalities

Looking toward the future, the evaluation explored new aid modalities used by the GEF partners and other development organizations (see Technical Paper 4, "A Review of Other Aid Delivery Modalities: What Can GEF Find Relevant?"). A discussion of new modalities is especially important for the GEF because its operations have been mostly project-based and are characterized by high transaction costs, long processing times, and elaborate and complicated procedures leading to lengthy Activity Cycles. Adopting simpler mechanisms of aid disbursement, with more government ownership, that concentrate on building capacities and policy within partner governments could enable the GEF to achieve its global environmental mandate more easily. Furthermore, new modalities that engage other donors and encourage dialogue with donors and domestic stakeholders are likely to help the GEF harmonize its own operations with those of other donors (and vice versa), leading to greater aid effectiveness.

Why Change?

Various agencies have emphasized the need to develop more efficient, effective, country-driven, coherent, and participatory aid disbursement modalities. The need for new and different aid modalities has been emphasized for several reasons. First, there is a belief that traditional project aid is saturated and difficult to scale. Second, project-based aid is characterized by high transaction costs. Third, increased emphasis is being placed on outcomes and results—which are associated with broader aid modalities such as sectoral aid—rather than on outputs, which are usually project-based. Fourth, project aid forces donors' priorities on recipient governments and, in many cases, to procurement linked to donor country contractors, which has led to inefficient spending. Fifth, donors feel that reliance on parallel, nongovernment project management structures and special staffing arrangements undermines the effectiveness of government systems. Finally, project-based forms of aid disbursement are usually based on conditionalities. There is emerging evidence that conditionalities are ineffective and tend to modify the development process in a country, while alienating civil society and nongovernmental groups.

What Might Work?

New modalities that are relevant to the GEF include *direct budget support*—which has two forms, general budget support and sector budget support—and *sector-wide approaches*. Sector budget support refers to financial aid earmarked to a discrete sector or sectors; it is usually provided after sector-related conditions are agreed to, and donors and recipients have commonly agreed to a policy and expenditure plan within a sector. Ideally, sector budget support is based on an SWAp through which donor agencies pool funding to a particular sector or cross-cutting issue.

Of this group, sector-based aid delivery modalities are most relevant to the GEF, for a number of reasons. First, these can best be expected to meet the GEF's global environmental mandate, in that environmental policy may be targeted by sector budget support or SWAps. Second, these can be closely linked to the GEF's operational principles. Sector-based approaches also make it possible to link GEF initiatives with those of other donors

Table 8.2

A comparison of different aid modalities and their suitability to GEF operational principles

GEF operational principle[a]	Budget support	Sector-wide approaches	Project aid
COP guidance	None exists	None exists	Available
Accountability of GEF	Hard to measure	Hard to measure	Hard to measure
Financing incremental costs	Easy to implement	Easy to implement	Not easy to implement
Cost effectiveness	Not measured	Not measured	Not measured
Country ownership	High	High	Low to medium
Flexibility	High	Medium	Low
Disclosure of information	Dependent on gov't systems	Dependent on gov't systems	Dependent on gov't systems
Public involvement	High potential	High potential	Low
Catalytic effect	Potentially high	Potentially high	Not known
Financial leverage	Potentially high	Potentially high	High
Monitoring and evaluation	Dependent on gov't systems	Dependent on gov't systems	Good

Note: Ratings are based on evaluator assessments.

a. Two operational principles have been split for expositional convenience—"COP guidance and accountability of GEF" and "catalytic effect and financial leverage." The tenth principle, "country eligibility," is not analyzed here as it is a prerequisite for GEF support.

while ensuring that the GEF initiatives are closely aligned with country priorities. The provision for increased dialogue with the recipient government and other donors implies that the GEF can take on the role of catalyzing and leveraging additional aid. Third, sector-based modalities make it possible to use a programmatic strategy, characterized by coherence and consistency of vision across different projects. Fourth, sector-based aid delivery modalities are more efficient. Transaction costs are reduced as compared to project-based modalities, because sector-based modalities eliminate the need for additional and different administrative and accounting procedures. Fifth, sector-based modalities are likely to force the GEF to harmonize its operations with those of other donors, which will also make it easier for the GEF to meet its own cofinancing requirements. Sixth, sector-based approaches lend themselves easily to the results-based allocation framework that the GEF has recently adopted. Finally, sector-based approaches tend to be flexible, country driven, and transparent to the extent that the governments' systems are transparent and accountable; this can be assessed ex ante. (See table 8.2.)

In making these assertions, however, certain key issues need to be taken into account. To begin with, the effectiveness and impact of sector-based initiatives have not been rigorously examined. Also, traditional sector budget support or SWAps provide support for recurrent costs in the sector. The GEF would have to isolate initiatives and strategies within governmental plans that help to fulfill the global environmental mandate and devise ways to compute incremental costs within these. Because sector-based aid is usually fungible across donors, some procedures will have to be devised to evaluate outcomes and impacts on a sectoral level across donors. In the context of the GEF's overall mandate to achieve global environmental objectives, incorporating linkages established with other donors may be a more effective way to assess impact. Related to this, the extent to which sector-based support is visible for the GEF, as distinct from aid from other donors, and the

extent to which it is *additional*, will have to be discussed internally within the GEF. Achieving additionality in the environment sector may be easier than in other areas because this sector tends to be underfunded in most countries.

What If the GEF Continues with Project-Based Modalities?

The evaluation found that if the GEF continues to use project-based aid disbursal modalities, this should be done in a way that establishes the advantages of so doing. Disbursing funds in the form of projects has some advantages, such as separate accounting and administrative arrangements that can reduce fiduciary risk, possibility of reducing the effect of exogenous factors, and the fact that a project can be narrowly and precisely defined. Although rarely fully exploited by donors, project-based funding can be experimental and innovative. One of the important features of project-based modalities is that their results can be better evaluated using evidence-based methods; this should be advocated among the GEF Agencies, so that there is a rich database of evidence to strengthen arguments in favor of this modality. Evidence-based project impact evaluations would also help the GEF establish the importance and effectiveness of project-based modalities.

The GEF should not remain oblivious to the many changes in the international aid arena. While it is the largest environmental fund and the only fund to target incremental costs for global environmental benefits, it is also mandated to be innovative and catalytic. In this context, the GEF should examine the effectiveness of sector-based modalities. A country-based pilot program will enable the GEF to assess whether there are advantages to pursuing this approach in the future. Several GEF Agency partners have useful experience and competence for the management of such a pilot.

Annex A. Methodology

A.1 Management Structure and Process

This evaluation marks the first time that a fully joint evaluation has been undertaken in the Global Environment Facility. It is also unique in the international evaluation community both in terms of the wide range of partners involved—12 evaluation offices—and its participatory and burden-sharing approach.

A Management Group, involving all evaluation offices of GEF partners, was established; it provided technical comments on the documentation produced and participated in meetings on the evaluation. Within this group, several Agencies volunteered to work closely with the GEF Evaluation Office in undertaking and managing the evaluation. This core group includes representation from the evaluation offices of the Asian Development Bank, United Nations Development Programme, United Nations Environment Programme, United Nations Industrial Development Organization, and World Bank as well as the GEF Evaluation Office. To ensure effective management, the core participants were limited in number to respond quickly to requests for advice. The participants provided comments on and technical clearance of proposed terms of reference, subproducts, and reports; undertook specific evaluation tasks or arranged for these to be done, and were involved in the analysis and drafting of the report.

A.2 Goals, Scope, and Products

The objective of the evaluation was to review experience in the programming and management of GEF support activities and recommend improvements with a view to supporting further simplification of GEF operations. The evaluation particularly focused on relevance, efficiency, and effectiveness. Specifically, it aimed to

- demonstrate strengths and weaknesses in the GEF Activity Cycle and modalities, and identify the contributing factors;
- identify and analyze the constraints that need to be addressed to improve efficiency in GEF operations, including possible changes in procedures and systems;
- provide recommendations to increase the efficiency and effectiveness of GEF operations and modalities.

The evaluation addressed five key questions, which were further clarified by definitions and subquestions: Is the GEF Activity Cycle efficient and effective, and are the GEF modalities efficient, effective, and relevant? For each question, an evaluation matrix established norms, indicators and basic data, sources of information, and methodol-

ogy components. In the context of this evaluation, a number of concepts had to be defined, both in preparing the evaluation matrix and during the evaluation itself (see glossary).

The main product of this evaluation is the report *Joint Evaluation of the GEF Activity Cycle and Modalities*. A number of technical papers related to specific components of the analysis are available on the GEF Evaluation Office Web site at www.theGEF.org; these include the following:

- Technical Paper 1, "Review of Evaluative Evidence: Meta-Summary" (component 2; authored by the GEF Evaluation Office)
- Technical Paper 2, "Review of Related Initiatives" (component 3; authored by UNIDO)
- Technical Paper 3, "Assessment of Project Cycles" (component 4; authored by ADB)
- Technical Paper 4, "A Review of Other Aid Delivery Modalities: What Can GEF Find Relevant?" (component 5; authored by UNDP)
- Technical Paper 5, "Report on the Stakeholder Survey" (component 8; authored by the GEF Evaluation Office and UNEP)
- Technical Paper 6, "The Cycle Phases: Strengths and Weaknesses" (authored by the GEF Evaluation Office)

A.3 Evaluation Components

The evaluation was conducted through eight different components, each with a specific TOR, according to a methodology of triangulation,[1] *documentation* (desk reviews of the legislative framework, evaluative evidence, aid delivery modalities, and ongoing initiatives), *perceptions* (field visits, stakeholder survey), and *verification* (assessments of project cycles and portfolio statistical review). All working papers were shared with the evaluation partners and discussed at workshops for methodology improvement.

Component 1: Review of the Legislative Framework

Component 1 consisted of recording and reviewing relevant legislative documents and decisions, as well as other corporate guidance, related to GEF-specific legislation and other IA/ExA legislation governing GEF projects. The more than 160 documents and 25 joint summaries were codified in an Excel spreadsheet according to their *source and nature*—decision, recommendation, finding, lesson, strategy—and *content*—cycle phase, modality (FSP, MSP, enabling activity, other), role (eight groups of partners), and GEF operational principle. The evaluation also reviewed the *Instrument for the Establishment of the Restructured Global Environment Facility* and *Operational Strategy of the Global Environment Facility*, Assembly statements, the GEF "Operations Manual," and other guidance, legal frameworks (memorandums of understanding, logical framework approaches), and Agency policies and procedures and manuals. This review allowed the partners to establish the context; specifically, the underlying goals of the Activity Cycle and modalities, together with a map and time line of the evolution of GEF requirements.

Component 2: Review of Related Evaluations and Documentation

Component 2 involved a review of evaluative work, specifically of GEF corporate evaluations, Agency evaluations with findings on cycle or modalities issues, and GEF project evaluations. The relevant findings and recommendations were codified in an Excel spreadsheet using the same approach as in component 1, with particular attention given to terms of scope, GEF replenishment period, and

relevance of findings from evaluations conducted before 2003.

The more than 100 evaluations reviewed included all overall performance studies, program studies, thematic evaluations (including specific modality-related evaluations such as those of the Small Grants Programme), and, in particular, the project performance reviews and annual performance reports. Information from the GEF Evaluation Office's parallel Evaluation of Incremental Cost Assessment and 2005 *Annual Performance Report* was also reviewed. The partner offices provided related evaluations from the Agencies; evaluations from the larger donor community were also analyzed. Performance ratings were used where available from 156 project evaluations (116 terminal evaluation reviews) and from 383 project implementation reviews. (Note, however, that these documents did not yield adequate lessons on cycle management.) The evaluation also conducted a sample review of a dozen project documents and concept papers and PDF requests (from 2005) for content as per GEF requirements, format, and length.

This meta-evaluation provided a SWOT analysis of previously identified evidence on cycle and modalities, patterns of cycle problems, and recommendations for follow-up that formed the basis for shaping questions for the field visits and survey (components 7 and 8).

Component 3: Review of Related Initiatives

Component 3 was carried out by the UNIDO Evaluation Group and involved a review of completed and ongoing initiatives for simplification and harmonization within the partner Agencies and in the larger donor community. The review aimed to identify key trends and opportunities for streamlining GEF approaches in the future and lost or seized opportunities for integration in the past.

Simplification was defined as initiatives undertaken by individual Agencies to simplify and streamline processes so as to lower transaction costs and shorten project cycles; *harmonization* refers to Agencies' undertaking activities in a similar manner as others, using the same formats or standards, and/or accepting others' work as their own. The methodology entailed gathering and reviewing more than 50 documents on simplification, harmonization, and project cycle management issues from multiple sources of information, including the multilateral development banks, the Development Assistance Committee of the Organisation for Economic Co-operation and Development, the United Nations, the GEF Secretariat, and the GEF Agencies. Much of the information was obtained from Web sites and Agency submissions, some of the latter of which was provided as a result of phone interactions. The review covered results-based management and budgeting, decentralization and use of country systems, environmental and social safeguards, financial management and procurement, harmonization, and joint programming.

Component 4: Assessment of Agency Cycles

Component 4, led by ADB's Operations Evaluation Department, aimed to provide an overview of the programming processes and cycles within the Agencies. Based on a format developed by the evaluation, each Agency and the GEF Secretariat provided an overview of the goals, steps, responsibilities, and outputs per phase of their respective cycles for GEF-financed projects; this was mainly for FSPs, although some Agencies differentiated their cycle submissions according to FSPs, MSPs, or enabling activities. These data were mapped in order to perform a qualitative assessment of effort

and a gap and overlap analysis with GEF requirements. The Agencies also provided their generic cycle time frame standards, which were compared with actual elapsed time data obtained in component 6.

The Agencies also identified the specific steps within their own procedures that address the GEF operational principles, and the Agencies' GEF coordination units were asked to rate, on a four-point scale, the relative importance played by each phase in meeting the principles.

Agency input was corroborated with a review of more than 30 relevant manuals, operational guides, and legal documentation; statistics; interviews; and studies of actual experience. The evaluation also examined a sample of nine FSPs that entered the work program in 2006 for review comments relevant to select specific GEF operational principles, looking at the consistency and value added of the comments.

Component 5: Exploratory Review of Aid Delivery Modalities

Component 5 entailed a review of aid delivery modalities used by other agencies and was led by the UNDP Evaluation Office. Based on extensive bibliographic review of more than 60 documents and interaction with other international aid agencies, the review covered the main modalities used by GEF and its Agencies, other aid modalities in general, and trends in the international arena regarding aid delivery. It also analyzed scenarios of how different modalities would function in a GEF context.

Component 6: Portfolio Review

Component 6 aimed to provide an overview of the portfolio, build the empirical basis for substantive analysis of performance, and identify trends and issues to explore further in other components. The evaluation established an Excel database, the Joint Evaluation Database, which includes a detailed portfolio description with codification per project for (sub)modalities used and enables further correlation among types of projects and their elapsed time at various cycle points and their ratings at closure and annual implementation reporting. Stata statistical software was used to control for statistical significance and variance.

The evaluation database was developed from the Project Management Information System maintained by the GEF Secretariat. The Secretariat provided an Excel download of all project data (projects and proposals). This information—especially project status and processing dates—was then corroborated by all Agencies, either by submission of downloads of their GEF portfolio databases or by manually cross-checking the PMIS data. Further information was added at the project level from Council and project documentation, past GEF evaluations (especially the program studies and annual performance reports), and the Trustee. For definitions used to reflect the status of projects in the cycle, see glossary and details on the statistical analysis and limitations in sections A.4 and A.5.

Component 7: Field Visits

The field visits provided in-depth examples and information on GEF project cycle and modality experience from 18 countries, representing all regions: Asia (Bangladesh, China, Laos, the Philippines, Sri Lanka), Africa (Ghana, Kenya, Madagascar, Senegal, South Africa), Latin America and the Caribbean (Costa Rica, Ecuador, Mexico), Europe and Central Asia (Macedonia, Slovakia, Turkey), and the Middle East and North Africa (Egypt, Tunisia). Over 300 people were interviewed, either individually or in groups.

The visits were conducted by the evaluation core group, in accordance with guidelines established by the GEF Evaluation Office and following the GEF operational principle of cost effectiveness (that is, visits were combined with planned missions of the partners on other or related subjects). The stakeholders targeted for the interviews were the GEF operational focal point, the GEF political focal point, previous focal points, relevant Agency staff, and other relevant national government stakeholders. NGOs and private sector stakeholders were also consulted in some cases.

The guidelines laid out questions to elicit perceptions of the GEF Activity Cycle, GEF modalities, and GEF operational principles; comparisons to other donors; and specific recommendations the interviewees might have. The interviews were codified in a common protocol that included a SWOT matrix for the Activity Cycle phases, modality types, operational principles, and roles of GEF partners. The data from these protocols were aggregated in a spreadsheet that identified recurring and divergent opinions across stakeholders from different countries.

Component 8: Stakeholder Survey

The GEF Evaluation Office and the UNEP Evaluation and Oversight Unit collaborated to design the stakeholder survey. The survey questions were based on the main issues regarding the GEF Activity Cycle and modalities arising from components 2 and 7. The Joint Evaluation Management Group provided valuable comments on the survey design. Consultations were also held with survey experts from the World Bank, and lessons learned from previous GEF surveys were taken into account.

The survey was based on a Web tool, survey Monkey (www.surveymonkey.com), which allows responses to be collected online and transferred to Excel. The responses were confidential, and participants were only asked to provide data on their background and experience with the GEF. The survey was tested online before being made available and was kept open as long as the daily volume of responses was high.

The survey addressed perceptions of time, efficiency, effectiveness, GEF contributions, and comparisons to other relevant donors. It encompassed both multiple-choice and open questions, which were grouped in five main sections: the GEF Activity Cycle, GEF modalities, GEF operational principles, comparisons to other international agencies, and respondent profile. Respondents were allowed to skip any question. Some verification mechanisms were introduced, such as questions on the "most" and "least" helpful Activity Cycle phase, which indicated a high degree of consistency.

The survey was undertaken from early April until early June 2006 and was disseminated electronically to GEF stakeholders. To ensure the broadest possible stakeholder targeting, the Management Group elaborated a strategy for survey distribution using the available GEF and Agency email lists. (In addition, it was assumed that GEF focal points forwarded the survey invitation to other respondents in the national governments.) Using the email lists, the survey was sent to approximately 2,075 stakeholders and was responded to by 660 of them—a response rate of 32 percent.

Survey responses were analyzed and disaggregated by stakeholder group to identify differences of opinion across groups on views of their own and others' roles. (Such biases are reflected where observed in the report text and notes.) Table A.1 shows an approximation of response rates by stakeholder group based on the number of respondents reached through the email lists used. Note that over 50 percent of the respondents (333 responses) preferred not to identify themselves.

Table A.1

Survey response rate by stakeholder group

Stakeholder group	Response rate (%)
STAP member	47
NGO	25
ExA staff	25
GEF/convention focal point	22
IA staff	22
GEF Evaluation Office	20
National government	19
STAP roster	12
GEF Secretariat	9
Convention secretariat	5

A.4 Statistical Analysis: Parameters and Definitions

This section describes the evaluation's statistical analysis of the information compiled in component 6. The basis for analysis is the Joint Evaluation Database; box A.1 summarizes key database features and content.

Box A.1

Main Features of the Joint Evaluation Database

- 1,926 full- and medium-size proposals and projects, as of January 1, 2006
- Current status of all projects based on GEF Secretariat and Agency dates and Agency status reporting
- Updated milestone dates recording project movement through the cycle
- All basic and context information (region, focal area, amount, and so on)
- 2005 PIR ratings for active projects; TER ratings for completed projects
- Initial GEF amounts allocated at CEO endorsement
- Miscellaneous information on executing agency type, country classification, and project type

Step 1: Determining the Universe of Projects

The evaluation established the selection of projects for which elapsed time would be measured.

- **Proposals and projects tracked.** The initial methodology envisaged using a sample of projects (comprising all projects from the GEF-3 replenishment period and closed projects from GEF-2, and all jointly implemented projects), but when the evaluation obtained data from a larger sample, it was decided at an evaluation management workshop to use the full universe. The universe analyzed includes all 1,926 GEF full- and medium-size proposals and projects from across all GEF replenishment periods prior to GEF-4, and 869 enabling activities (these latter were analyzed with less emphasis on elapsed time).

- **Criteria for inclusion.** The criteria for inclusion in the universe were defined as *all* proposals with an identification number from the GEF PMIS.[2] PMIS identities are to be given to every proposal the GEF Secretariat handles in some way. Some of these proposals (for instance, those that are pending or pre-pipeline) do not have an official approved status. However, the evaluation was unable to determine credibly which of these proposals may still be valid and which have been abandoned; therefore, all are included in the universe studied. This also corresponds to the evaluation scope of assessing all efforts in the cycle, including for proposals that have not materialized. The evaluation was not able to include proposals currently being developed by the Agencies that may be submitted to the GEF in the future.

Table A.2 presents the universe of projects included in the evaluation by proposal/project status.

Table A.2

Categorization of proposals and projects

Phase/status	FSP	MSP	Unclassified	Total	Notes
ALL PROPOSALS AND PROJECTS	**1,292**	**632**	**2**	**1,926**	6 FSPs and 2 MSPs are uncategorized by GEF phase
Approved	716	326	2	1,044	
Unapproved	576	306		882	
Processed	**1,195**	**529**	**2**	**1,726**	Includes all except stalled before pipeline
Approved	716	326	2	1,044	
Unapproved	479	203		682	Includes PDF-A, aborted, pipeline, PDF-B, and dropped
Entered pipeline	**1,059**	**N/A**	**2**	**1,061**	Includes all except stalled before pipeline, PDF-A, and aborted before pipeline
Approved	716	N/A		N/A	
Unapproved	343	N/A		N/A	Includes pipeline, PDF-B, and dropped
UNDER FORMULATION	388	258		646	
Stalled before pipeline	**97**	**103**		**200**	
Pending	85	103		188	Since MSPs do not enter the pipeline, those recorded as pre-pipeline by the PMIS are here classified as pending
Pre-pipeline	13			13	
Project development facility	**205**	**155**		**360**	
PDF-A	27	155		182	
PDF-B	178			178	
Pipeline	**86**	**N/A**		**86**	
UNDER APPROVAL	**706**	**106**		**812**	
Approved, not started	**221**	**106**		**327**	
Council approved	87	61		148	For MSPs, this implies CEO approval
CEO endorsed	36	N/A		36	
Agency approved	98	45		143	
Pipelined, not started	**485**	**N/A**		**485**	
Pipelined	86	N/A		86	
PDF-B	178	N/A		178	
Council approved	87	N/A		87	
CEO endorsed	36	N/A		36	
Agency approved	98	N/A		98	
STARTED	**495**	**220**	**2**	**717**	
Active	**235**	**127**		**362**	
Last PIR in 2005	211	109		320	A total of 383 PIRs in 2005 are recorded; the remaining projects are closed projects
Last PIR in 2004	6	8		14	
Last PIR in 2003	2				
Last PIR in 2002	1				
Reported active	15	10		28	

(continued)

Table A.2 *(continued)*

Phase/status	Full size	Medium size	Unclassified	Total	Notes
Completed	**210**	**89**		**299**	
Completed with terminal evaluation	49	4		53	12 new terminal evaluations were submitted recently (7 FSPs and 5 MSPs), these are recorded in the Active category
Completed with TERs	78	38		116	
Others reported complete	83	47		130	
Canceled	**50**	**4**	**2**	**56**	
DISCONTINUED	**238**	**52**	**2**	**292**	
Aborted	**109**	**48**		**157**	Rejected before pipeline entry
Deferred	19	1		20	
Dropped—MSP	N/A	23		23	
Not recommended	59	12		71	
Rejected	6	6		12	
Withdrawn	25	6		31	
Dropped	**79**	**N/A**		**79**	Rejected before work program entry
Canceled	**50**	**4**	**2**	**56**	Rejected after work program entry

Step 2: Determining Project Status

The evaluation established common definitions and terminology for the status of proposals and projects to understand their position in the GEF Activity Cycle. This task was driven by the lack of up-to-date and consistent descriptions available from the GEF PMIS, particularly after CEO endorsement and for proposals that have not materialized into projects. These definitions are presented in box A.2.

The following information was used to determine project status:

1. Pipeline entry, PDF approval, work program entry, and CEO endorsement dates and status; these were largely obtained from the PMIS.
2. Agency approval, project start, and project closing dates and status; these were largely obtained from Agency data.

If there was a mismatch of Agency and PMIS data, then PMIS data were recorded for items labeled (1), and Agency data were recorded for items labeled (2). All data were corroborated, where available, with monitoring and evaluation information (from PIRs, TERs, GEF corporate evaluations, and so on) and Council documents (for reports of canceled and dropped projects).

To consider the full range of effort expended in the Activity Cycle and its effectiveness, the evaluation grouped proposals that have not yet received approval as projects. While this is the first time this group has been examined, the analysis of these proposals did not require the same data on elapsed time as they have not progressed far in the cycle; instead, the emphasis was to clarify the status of "unapproved" proposals with information from the Agencies.

Box A.2

Joint Evaluation Project Status Descriptions

Approved. Referred to as "projects," meaning that they have received approval: FSPs have entered work program; MSPs have received CEO approval (unless nonexpedited MSPs, which go through the FSP cycle).

Unapproved. Referred to as "proposals"; defined as either being in a pre-approval stage (for example, PDF-A, PDF-B, pipeline, pending) or having been rejected before approval (for example, dropped, aborted).

Active. Ongoing, has a record of a PIR in 2005 or earlier.

Complete. Has terminal evaluation reports and reviews or is reported as either operationally or financially closed by relevant Agency.

Dropped. Entered pipeline but rejected.

Aborted. Not entered pipeline, but rejected; referred to in PMIS as rejected, withdrawn, not recommended, or deferred.

Pending, pre-pipeline. Not entered pipeline, but recorded in PMIS.

Step 3: Determining Project Classification and Codification

The universe of projects is not homogenous. To enable analysis of factors that influence efficiency and effectiveness in the cycle and recognize project circumstances, the evaluation had to codify the proposals and projects. This allowed correlations between types of projects and their elapsed time during the cycle. Two main parameters were used: replenishment period and project characteristics.

Replenishment Period

Projects were classified according to the replenishment period in which they were approved, first because each replenishment period has its own specific policy goals that influence the projects in the cycle and in the pipeline; and because the TOR prescribed identification of the effect of changing parameters (steps, requirements, and criteria) for the cycle over time, and these procedural regimes largely correspond to the respective replenishment periods (see component 1 and chapter 3).

- The universe of FSPs and MSPs was divided into four groups based on the GEF replenishment period (or four-year phase) in which they were approved between FY 1991 and mid-FY 2006 (see table A.3).

Table A.3

Project universe by GEF replenishment period

Replenishment period	FSP	MSP	Unclassified	Total
Pilot (1991–94)	110			110
GEF-1 (1995–98)	136	11		147
GEF-2 (1999–2002)	210	164		374
GEF-3 (2003–06)	254	149		403
Unapproved	576	306		882
Unclassified	6	2	2	10
Total	**1,292**	**632**	**2**	**1,926**

- For FSPs, "approval year" refers to the year of work program entry.
- For MSPs, the year of approval refers to the year of CEO approval.
- Throughout the evaluation, unless otherwise specified, the analysis is done with respect to this approval year.
- Projects from the pilot phase (1991–94) were not subject to Council guidance on the cycle,

and are therefore separated out when analyzing the effect of cycle requirements.

Project Characteristics

Projects were classified according to their nature and local circumstance.

- **PMIS identification characteristics.** These are GEF and Agency identification numbers, project name, current project status, project type, IA/ExA (an Agency classification denotes implementation by a single Agency; all other projects are classified in the "joint Agency" category), executing agency type; focal area and operational program, and region and country name.
- **Contextual information.** Data were added to basic PMIS information per project on (1) project nature, by flagging projects to indicate if they used programmatic approaches or were umbrella, phased, tranched, targeted research, or nonexpedited projects; and (2) country classifications of income and geography (World Bank country income categories, and designation as a small island developing state or least developed country).
- **Performance ratings and project flags.** See below for more on performance ratings. Those projects on which the GEF Council had commented were flagged.
- **Monetary allocations and milestone dates.** See below.

Step 4: Determining Elapsed Time

The analysis of elapsed time and cross-analysis of other factors was a key element of the evaluation. The analysis takes into account the fact that projects differ in the path they take through the cycle, so that not *all* projects are tracked through *all* stages in the process. The evaluation analyzed the portfolio from three complementary perspectives:

- **Project status in the cycle**—how far a project has progressed in the cycle (figure 4.1), without taking account of elapsed time
- **Elapsed time based on pipeline entry**—how far a project has progressed in the cycle since pipeline entry and how long it has taken to get to that point (figure 4.5)
- **Elapsed time based on work program entry**—how long a proposal has taken to get to approval and how long it has taken from approval to start (figure 5.1)

Definition of Elapsed Time

Elapsed time refers to the time a proposal or project spends between two milestones in the cycle (for example, time between point A and point B). Elapsed time is expressed in months, which is rounded off to the nearest 0.5 months, with 30 days in a month.

- All references to years represent GEF fiscal years (July 1 to June 30), not calendar years.
- Data are current until January 1, 2006; references in the text to "till now" mean this date.
- Considering the cut-off point of January 2006, the evaluation also projected additional time until October 1, 2006, for 90 projects that are still awaiting final approval for start.
- Because each Agency follows its own cycle's procedures and steps, the evaluation used the GEF decision points as the only common elements for milestone inclusion.
- Date fields in the Joint Evaluation Database include approval/closing dates for PDF-A, PDF-B, and PDF-C; pipeline entry, entry into work program, and CEO endorsement dates

(FSPs); CEO approval date (MSPs); approval FY; Agency approval date: actual/expected implementation start; project duration (expected/ actual); proposed/ actual closing date; terminal evaluation date; cancellation date.

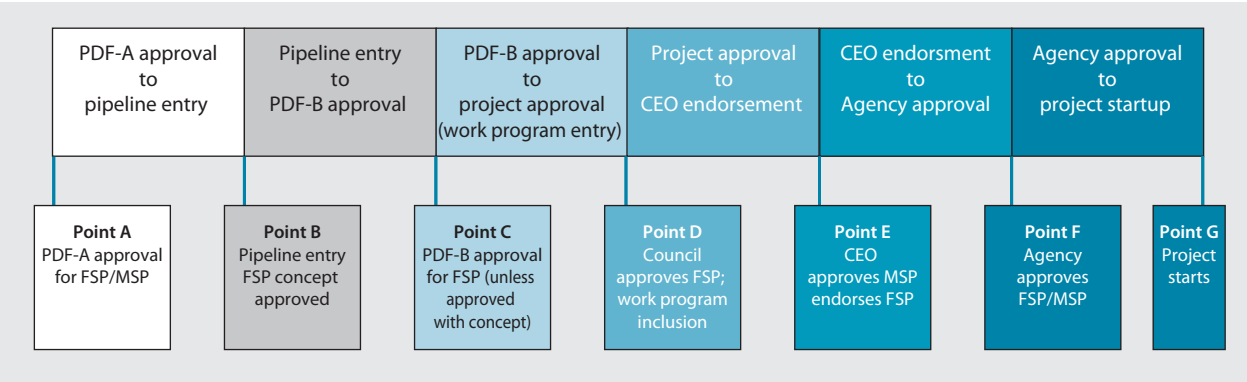
Analysis of Elapsed Time

The average total elapsed time across the GEF replenishment periods is affected by the number of projects that have completed the various phases in the cycle, the nature of these projects, and the path they have taken through the cycle (see figure A.1).

- The evaluation first identified the status for each project to ascertain how far it had progressed in the cycle. The evaluation next identified the cycle stages used by each project (mainly if the project had accessed PDF resources) and which decision points the project had passed. The evaluation then calculated the elapsed time between decision points (two dates were needed to establish this).
- *Work program entry* (point D in figure A.1) is the first approval point through which all FSPs must pass; this has been the case since the GEF started. Until this decision point, the evaluation considered the projects to be proposals.
- The earliest decision point recorded by the GEF is *PDF-A approval* (point A in figure A.1). It is recognized that proposals have originated before this point: the cycle data do not capture Agency efforts or dates to prepare the request for PDF-A or for preparing the concept brief for pipeline entry.
- In calculating elapsed time, the evaluation took into account the various routes by which projects are approved. As an example, some projects approved during GEF-3 proceed from point B to D or from point C to D; others move from point A to B and then to D. All FSPs must go though points D, E, F, and G, but not all projects approved during GEF-3 have yet reached this point. Elapsed time therefore cannot be accurately calculated simply by adding the average time projects spend between the seven decision points before start-up.
- As of January 2006, not all approved projects had started implementation. Thus, the elapsed time for points E, F, and G is likely to increase as slower projects move through these stages of the cycle. The trends in elapsed time for the pre-approval period is relatively fixed, given that, by definition, all projects within the cohort have received approval (point D). The increase in

Figure A.1

Cycle milestones: GEF decision points and elapsed time periods



time from PDF-B approval to project approval in GEF-3 is statistically significant.

The evaluation considered assessing elapsed time from project origin. The component TOR stated that some effort should be made to identify origin of projects and time frames before GEF pipeline entry. However, there is uncertainty regarding when a project idea starts, and no data in the GEF on a project's starting point. Some Agencies record receipt of unsolicited proposals, but this is not systematic, nor does it concern the majority of proposals.

The evaluation used the PDF-A request and/or pipeline entry (if projects did not use preparatory resources) as the earliest dates recorded by the GEF.

Because the practice of reporting pipeline entry to the Council began in 1999, this date was not available for 325 projects and proposals—94 from the pilot phase, 100 from GEF-1, 89 from GEF-2, 16 from GEF-3, and 3 unclassified. The remaining 22 FSPs are unapproved (with a status of either dropped, PDF-B, or pipeline). For other projects from earlier GEF periods, the evaluation used pipeline entry dates when available from the Agencies (mainly from the World Bank) or the PMIS. Figure 4.5 in the main text provides a measure of project speed in moving through the cycle by disaggregating the group of pipelined projects and categorizing them under their most current status. The figure thus shows how far proposals have moved since pipeline entry.

Lack of pipeline dates was an added factor in choosing cohorts for analysis based on approval year (that is, four-year GEF phases); this GEF decision point is available for all approved FSPs and MSPs (except for three FSPs and two MSPs which are missing this date).

Table A.4 presents the key indicators related to timeliness and process that were used in the evaluation matrix.

Step 5: Analysis of Statistical Significance and Project Outliers

The evaluation considered statistical significance—the probability that the difference between groups in a sample did not occur by pure chance—through the following mechanisms:

- T-tests were conducted to indicate whether mean differences between groups are statisti-

Table A.4

Indicators (from evaluation matrix)

Efficiency	Effectiveness
• Elapsed time between processing points in the cycle (over time, across Agencies, focal areas, regions, modalities, and so on)	• Projects that go through the full cycle (over time, across Agencies, focal areas, regions, modalities, and so on)
• Project actual duration versus intended	• Dropouts from PDF
• PDF-A, -B, -C that lead to projects	• Cancellations
• Financial data	• Growth in MSP/PDFs versus resources available
• Project resubmissions to Council	• Presence of operational principles (yes/no) at the various cycle stages for projects
• Review comments made	• PIR ratings
• People involved at each step	• TER ratings
• Steps involved in each phase	

cally significant at a 90 percent or higher level of confidence (see box A.3).

- The evaluation controlled for the number and dispersion within groups, and, using the statistical package Stata, developed scattergrams and bar charts that show dispersion in elapsed time for the portfolio.

- The evaluation considered the portfolio elapsed time with and without *project outliers* (projects with unusually high or low processing times). It excluded projects with unusually high processing times, but included those with low processing times (given that there are numerous such cases). These data are provided in annex B.

  Removing the project outliers provides an estimation of averages with a higher probability. Analysis of outliers by replenishment period also helped identify projects within groups that were the least representative. Given the large universe of almost 2,000 projects, outliers were not so numerous as to make a significant statistical difference. In general, the average elapsed time without outliers range one month less for projects approved in GEF-2 and GEF-3; for 34 older projects in GEF-1, there is a difference of four months (33 versus 37 months). The pattern for medians is the same (see annex B).

Box A.3

T-Test Terms

Average. Same as *mean*; all figures in the data set added together and divided by the sum of the total number of entries.

Median. Middle value in a data set. When the totals of the set are odd, the median is the middle entry in the set after sorting the list into increasing order. When the totals are even, the median is equal to the sum of the two middle numbers (after sorting the list into increasing order) divided by two.

Mode. In a set of numbers, the one(s) that occurs most frequently. There can be more than one mode. If no number occurs more than once in a set, then there is no mode for that set of numbers. Given the spread of the GEF portfolio in months, analysis of mode did not yield useful information for the evaluation.

Range. In a set of numbers, the smallest number subtracted from the largest. Given the spread in months, this analysis also did not yield useful information.

Step 6: Analysis of Performance

The evaluation considered project performance ratings as a proxy for project quality, to cross-analyze correlation between elapsed time with subsequent project performance and other parameters (such as funding and region). The basis of analysis included 383 PIRs available for ongoing projects and 116 available TERs. From the PIRs, the ratings for *development objective* and *implementation progress* were used; from the TERs, the ratings for project outcome from both the terminal evaluation and the GEF Evaluation Office were used. All ratings were averaged on the following six-point scale (no points were allocated for "not applicable" and "unable to assess"):

1. Highly satisfactory
2. Satisfactory
3. Moderately satisfactory
4. Moderately unsatisfactory
5. Unsatisfactory
6. Highly unsatisfactory

Step 7: Analysis of Monetary Amounts

The evaluation considered the financial parameters of the portfolio as follows:

- All monetary amounts are in millions of U.S. dollars and are based on financial data from the PMIS, unless otherwise specified.

- Unless otherwise specified, figures reflect Council allocations after CEO endorsement.

Allocations are made for the GEF amount, PDF amounts, total GEF amount, cofinance amount, and total project cost.

- For unapproved proposals, monetary amounts are divided into two categories: allocation for project (earmarked money for work program entry) and allocation for approved components of project (in the form of PDFs for proposals).
- Amounts were categorized in the Joint Evaluation Database as
  - Council amount
  - CEO endorsed amount
  - Actual amount—includes CEO endorsement amounts for approved projects and expected total allocation for unapproved projects
  - Current amount—includes CEO endorsements for approved projects, and only what has been allocated before the project has been approved (for example, includes only the PDF allocation as compared to the project's expected total allocation)
- The cofinance ratio is the average dollar amount promised for every GEF dollar allocated. In calculating cofinance ratios (chapter 6), canceled projects were excluded from the analysis. This is because the total GEF amount is sometimes changed to reflect just the PDF allocation for these projects, while the cofinance amount is not updated.

A.5 Data Limitations and Challenges

The evaluation had to address several limitations in data and information, mainly related to the limitations of the GEF information systems and reconciliation with Agency information systems. Some of these issues are reportedly in the process of being addressed. Key issues on methodology application and data quality and availability are discussed below.

Availability of Data

Given the current architecture of information management systems, the following information is currently not available or is not consistently tracked.

- Date of receipt of concept documents was not recorded by most Agencies, and if available, was not accurate. From the GEF perspective, the cycle begins once a concept proposal has been submitted by an Agency, but in reality considerable identification work may have been done by the Agency before submission of a concept brief. Therefore, the precise moment at which a project idea formally becomes a "concept" and starts the project cycle is not always clear. Pipeline entry dates for projects from before 1999 is not available for 325 projects.
- Data on dates are not consistently available in between GEF decision points or other steps in the cycle. The start and closure dates for PDFs are not recorded by Agencies.
- Reasons related to cancellation, dropping, and aborting of projects and proposals are not consistently recorded or are not available in accessible form.
- Information for additional indicators of cycle efficiency was not easily accessible, specifically for indicators of *effort* (number of work-hours invested at various stages of the cycle, number of times concept papers were reformulated or documents submitted to management, number of times review comments were made, number of people involved in each step, number of person-days needed to formulate or submit) and *cost* (project financial data, fees, staff costs, travel costs).[3]

- Monetary disbursal amounts for Agencies and projects and delivery rates, as well as other relevant financial information, are not available; the GEF Trustee tracks these at an aggregated Agency level and not at the project level.
- Other information for comparison analysis was not easily accessible, such as the proportion of the GEF portfolios versus Agency environment portfolio of non-GEF projects. Also, only 7 of the 10 Agencies (AfDB, ADB, EBRD, FAO, IFAD, UNDP, and the World Bank) were able to provide generic time frames for their cycles.

Accuracy of Data

Data are inconsistent *within* Agencies, the GEF Secretariat, and the Trustee because of information not being updated, data fields being left empty, and unclear lines of responsibility for data recording. This internal inconsistency made it difficult to harmonize data fields *across* the GEF and the Agencies, as the following examples demonstrate.

- There is no consistent use of a single identity number (that from the PMIS); it is thus not easy to match projects, and duplication and gaps can occur.
- Because the GEF Secretariat does not keep a record of project status after CEO endorsement, status is not updated in the PMIS.
- Project information was maintained in one file, and closure status and dates in another set of files (UNDP).
- Information on reasons for rejection of PDFs and other proposals was available, but was not available to the GEF Secretariat (UNDP).
- Dates for tracking projects within the Activity Cycle for each project had to be entered manually (UNEP).
- The data submitted by Agencies on cycle steps do not necessarily represent a complete set of official procedures. For instance, UNEP submitted a one-page schematic, while UNIDO provided a two-page table. Some of the Agency cycle processes provided to the evaluation (for example, those from AfDB and FAO) were still in draft form or were being redrafted.
- Discrepancies in the Trustee's financial records result in different figures being generated for different reports, and inconsistencies when compared with PMIS and Agency data.
- Data provided by one Agency database did not match those from other databases from the same Agency (see box A.4).

Consistency in Definitions

The evaluation defined terms and expressions used for the Activity Cycle and modalities (see glossary). This task was imperative, as there are differences in definition among GEF partners with regard to project cycle milestones, and a lack of common definitions for status designations used by the GEF in its PMIS. This lack of standardization in turn affects data availability and comparability across Agencies, especially for the following.

- **Effectiveness (or project start).** The World Bank uses the term "effectiveness" to denote when a project is declared effective (legal agreements become effective only after the borrower furnishes satisfactory evidence to the Bank that it has met standard and special conditions of effectiveness); the Bank's data include date of actual start for projects that have started and expected start date for those that have not. UNDP uses "Project Document signature" to refer to project start.

Box A.4

Harmonization of Internal Data at the World Bank

Discrepancies among Bank Data Sources

None of the three GEF databases, the World Bank GEF databases, or the Business Warehouse and Operations Portal data sets are entirely complete.

- There were discrepancies between milestone dates recorded by the GEF and the World Bank GEF Operations Unit. In most cases, the World Bank's Independent Evaluation Group relied on the information provided by the World Bank GEF Operations Unit. When data were not available from this unit or the GEF, information was obtained from the Operations Portal or Business Warehouse.
- Inconsistencies were noted between dates recorded in the World Bank GEF database and those in the Operations Portal/Business Warehouse, which raises concerns over the reliability of elapsed times.
- The most problematic is World Bank Board date, which can affect approval FY, making it difficult to retrieve complete data sets from the Business Warehouse. Further research is needed to determine which date is accurate.
- Differences were also noted between the Business Warehouse list of GEF projects for FY 1999–2006 and the Joint Evaluation sample project for the same time frame.

Inconsistencies within World Bank GEF Records

The World Bank GEF Unit maintains two project databases: one is available online; the other is maintained internally.

- Inconsistencies were noted between the lending amounts recorded in each database. The online database breaks down total amounts by funding entity—GEF, International Development Association, International Bank for Reconstruction and Development, and other. The internal database breaks down total amounts by GEF funding at various stages in the project cycle but displays only one amount for Bank funding.
- Both databases record "total amount," but this number is inconsistent, particularly for FSPs, which show a difference of $1.314 billion. IDA and IBRD amounts in the online database do not add up to the Bank amount recorded in the internal database. Within the World Bank GEF Unit's online database, GEF, IDA, IBRD, and "other" columns did not always add up to the total amount column. For IFC FSPs, there was a difference of $62 million. Further research is required to determine which column is accurate.

Source: WB IEG (2006).

- **Closing dates.** "Project closure" can refer to projects' financial and operational completion, and, in some cases, means either expected and actual closure dates; for the World Bank, a mix of expected and actual dates are available.
- **PDF approval dates.** UNDP records two dates—Council and Agency approval of PDFs—neither of which match dates recorded in the PMIS (see figure A.2).
- **Terminal evaluation dates.** UNDP has provided the year of evaluations, which have been changed to 30-June-xx (the GEF uses the World Bank fiscal year, while many other Agencies use the calendar year).
- **PMIS status of proposals.** As noted earlier, the GEF Secretariat does not have official, standardized definitions for terms used to describe

Figure A.2

Date discrepancies: UNDP PDF approval dates

proposal status in the PMIS (dropped, pending, rejected, withdrawn, not recommended, or deferred), nor are PDFs always clearly differentiated. The evaluation redefined these terms (see box A.2) after verification of actual status.

- **Cycle phases and steps.** The steps and phases that comprise the project cycle vary by Agency. For instance, while the GEF considers CEO endorsement to fall under the appraisal phase, most of the Agencies group this step in the approval phase; UNDP and AfDB also place their appraisal and negotiation steps in the approval phase. In the interests of consistency, the evaluation followed the GEF practice or definition in categorizing steps by cycle phase.

Qualitative Information and Documentation Reviews

There is no common definition of quality of GEF projects or of value added by the cycle. Given that this was a *process* evaluation, it was not appropriate to evaluate the *results* of the cycle process directly. Rather, the result of the cycle can be considered to be a *project*, and *project quality* can thus be used as a proxy for the effectiveness of the system in terms of whether the time taken is justified by value added. The evaluation used PIR and TER performance ratings, as well as the application of GEF operational principles, as a proxy for project quality. There are obviously other objective dimensions to project quality and performance success that the evaluation could not address.

In assessing the qualitative aspects of the Activity Cycle, the evaluation encountered a number of challenges, as summarized below.

- **Legal background (component 1).** The TOR envisaged that the evaluation would focus on current cycle procedures but reflect major past procedures or any focal area–specific requirements or practices. However, the evaluation found that past operational guidance from the GEF Secretariat to the Agencies is not available or tracked in numbered memorandums (these are now in principle filed in the World Bank's Integrated Records Information System). Council documents and decisions are also not available in an easily searchable repository; the evaluation therefore reviewed all relevant Council documents separately.
- **Evaluative evidence (component 2).** Apart from the GEF terminal evaluation performance ratings, the evaluation found no systematic coverage on lessons learned or findings on cycle or modalities implementation and issues. The information in evaluations on the GEF operational principles (such as cost effectiveness, replication, and adaptive management) was too uneven to establish a statistical representation or qualitative patterns. The same was true of the PIRs; while implementation problems are mentioned, the PIRs did not provide useful information on the project formulation phases or delays. The project cycle does not appear as a major issue in other Agency or donor evaluations, and limited information was found on cycle efficiency and effectiveness. The World Bank's Quality Assurance Group did provide some data on assessment of quality at entry.
- **Reviews of initiatives and modalities (components 3 and 5).** Considerable documentation was found on initiatives for harmonization and simplification and on the use of other aid modalities. Given the recent development and internal nature of such initiatives, the evaluation found that the effects of simplification are not as well documented, and that the effectiveness and impact of newer modalities such as sector-based initiatives have not yet been rig-

orously examined. Information on transaction costs in aid was also limited.

- **Reviews of Agency cycles (component 4).** In analyzing cycle effectiveness, it was found that collecting project-by-project information would be too difficult either for *qualitative assessment of value added* at each cycle stage (application of the GEF operational principles and the corresponding steps and efforts) or for *assessing quality products* produced by the various cycle phases. A more qualitative multistage analysis was adopted instead. As there are no agreed standards in the GEF for the product of each cycle phase—the concept brief, appraisal comments, and final project document—it was not feasible to conduct a full quality-at-entry assessment. Elapsed time was analyzed for cycle phases, and analysis of steps within phases was used to explore these delays. Information on value added was obtained from interviews, field visits, the stakeholder survey, and evaluations.

Counterfactuals and Comparisons with Standards

Establishing counterfactuals or comparisons would be useful for assessing elapsed time (efficiency); ratios of productivity and status of projects in the portfolio (effectiveness); quality, value added, and performance (cost effectiveness); and the use of modalities. The evaluation sought to compare findings to established standards or common practice against

- the GEF's own internal standards and norms;
- Agency standards, norms, and practices for non-GEF projects;
- standards, norms, and practices of other organizations.

GEF Standards

Because the GEF has not established efficiency standards for cycle phases, the evaluation used tentative time lines (from Council documents) and maximum time standards for reviews (from the GEF "Operations Manual"). For cost effectiveness, standards and methodology on GEF operational principles and quality at entry were available only from performance ratings and the GEF annual performance reports. Portfolio productivity and modalities also have no internal standards. GEF-4 accepted a possible nonsatisfactory outcome rating for 25 percent of projects under implementation. The evaluation used this, not as an established comparator, but as a basis for discussing success in approving projects (that is, assuming that 75 percent of project proposals should satisfactorily lead to implementation).

The evaluation also considered previous GEF reports on elapsed time to establish patterns of evolution. It turned out to be difficult to track such patterns, because past reports (PIRs, project performance reviews)

- provide data reported by Agency, while the evaluation calculated time from original date material;
- provide data on different decision points by Agency and by year, so that comparison was not possible;
- provide data for the last year only and are available only for the last five years.

The actual data on elapsed time in the evaluation therefore do not correspond exactly to past time data.

Agency Standards

The World Bank provided the most comprehensive information (although the other international

financial institutions have similar reporting standards); this is useful, since the World Bank has the largest GEF portfolio in terms of financial investment. Comparative information was obtained on evaluations of environment projects and performance ratings, quality at entry for GEF projects, cancellation ratios, and standard time frames. Not all Agencies have established performance standards for elapsed time for non-GEF projects, although most have information of common practice in elapsed time. In some cases, the evaluation found that the practice does not allow for reasonable or favorable comparison with GEF projects. Where project formulation and approval are decentralized and based on programming frameworks, for example, there are strong incentives for instantaneous appraisal and approval, so that the differences in elapsed time between Agency non-GEF and GEF projects are considerable.

Other Entity Standards

In reviewing the cycle for comparable projects of bilateral donors or similar multilateral funds, it was found that the GEF cycle differs from common practice by the number of layers of steps, phases, and partners involved. Consequently, there are no firm data from other organizations on elapsed time or productivity of portfolio in approving projects. The evaluation found donor assessments of elapsed time in implementation, but few assessments of elapsed time in formulation and approval, where the GEF delays are most frequent.

Two factors limit comparisons and available data: the uniqueness of the GEF cycle, and the fact that other organizations do not see elapsed time and productivity as major problems and therefore do not track relevant data. While it is possible that these issues are treated as internal and not disclosed, external, independent evaluations would have raised these issues if they limited performance.

Consequently, this evaluation was not able to undertake a traditional cost-effectiveness analysis comparing relative expenditures versus the outcomes associated with two or more courses of action (that is, two or more cycles in this case).

Annex B. Statistical Overview

Throughout this annex, the GEF universe refers to all 1,926 full- and medium-size projects, including 1,044 that have been approved and 882 that are not approved.

Table B.1

Distribution of GEF universe by focal area

	FSPs		MSPs		Total	
Focal area	Number	Percent	Number	Percent	Number	Percent
Biodiversity	456	35	300	47	757	39
Climate change	422	33	130	21	552	29
International waters	169	13	34	5	204	11
Land degradation	85	7	77	12	162	8
Multifocal	92	7	60	9	152	8
Ozone depletion	24	2	7	1	31	2
Persistent organic pollutants	44	3	22	3	66	3
Unclassified			2		2	

Table B.2

Distribution of GEF universe by Agency

	FSPs		MSPs		Total	
Agency	Number	Percent	Number	Percent	Number	Percent
UNDP	487	38	308	49	795	41
UNEP	137	11	156	25	293	15
World Bank	464	36	134	21	600	31
Joint Implementing Agencies	101	8	16	3	117	6
Executing Agency (joint and single)	103	8	18	3	121	6

Table B.3

Distribution of GEF universe by region

	FSPs		MSPs		Total	
Region	Number	Percent	Number	Percent	Number	Percent
Africa	333	26	147	23	480	25
Asia	305	24	147	23	452	23
Europe and Central Asia	205	16	116	18	312	17
Latin America and the Caribbean	276	21	125	20	401	21
Regional	47	4	25	4	72	4
Global	109	8	71	11	180	9
Unclassified	17		1		18	

Table B.4

Distribution of GEF universe by country classification (number of projects)

Classification (as of April 2006)	FSPs	MSPs	Total
World Bank income category			
High income: non-OECD	4		4
High income: OECD	1		1
Low income	267	164	432
Lower middle income	381	163	545
Upper middle income	201	114	315
United Nations geographical category			
Landlocked developing country	123	77	200
Small island developing state	42	34	76
Least developed country	144	78	222

Note: Applies only to projects in a single country.

Table B.5

Distribution of GEF universe by type of PDF allocation

	FSPs		MSPs		Total	
PDF type	Number	Percent	Number	Percent	Number	Percent
No PDF	592	46	288	46	882	46
PDF-A only	56	4	341	54	397	21
PDF-B only	556	43	3	0	559	29
PDF-C only	5	0			5	0
PDF-A + PDF-B	72	6			72	4
PDF-B + PDF-C	10	1			10	1
PDF-A + PDF-B + PDF-C	1	0			1	0
Total	**1,292**	**100**	**632**	**100**	**1,926**	**100**

Table B.6

Total GEF allocations across projects and proposals

	FSPs		MSPs		Total	
Project/proposal status	**$ (millions)**	**Percent**	**$ (millions)**	**Percent**	**$ (millions)**	**Percent**
Approved proposals	**5,537**	**98**	**267**	**98**	**5,804**	**98**
Active	1,876	33	103	38	1,979	34
Complete	1,432	25	68	25	1,499	25
Canceled	369	7	2	1	371	6
Agency approved	724	13	40	15	764	13
CEO endorsed	337	6			337	6
Approved	799	14	54	20	853	14
Unapproved proposals[a]	**86**	**2**	**5**	**2**	**91**	**2**
Dropped	16	0			16	0
PDF-B	68	1			68	1
Pipeline	2	0			2	0
PDF-A	1	0	5	2	5	0
Aborted			1	0	1	0
Total	**5,623**	**100**	**272**	**100**	**5,895**	**100**

a. PDF-A and PDF-B allocations.

Table B.7

Elapsed time in months across all full-size projects and proposals

Project/proposal status	Mean	Median	Standard deviation	Number of projects
PDF-A approval to pipeline entry	11	10	14	69
Pipeline entry to PDF-B approval	3	1	8	535
PDF-B approval to project approval	23	20	18	393
Project approval to CEO endorsement	15	11	13	477
CEO endorsement to Agency approval	1	1	7	432
Agency approval to project start	5	3	9	425
Pipeline entry to project start	**40**	**38**	**19**	**254**

Note: Includes actual and proposed dates and pilot and unapproved phases where data are available.

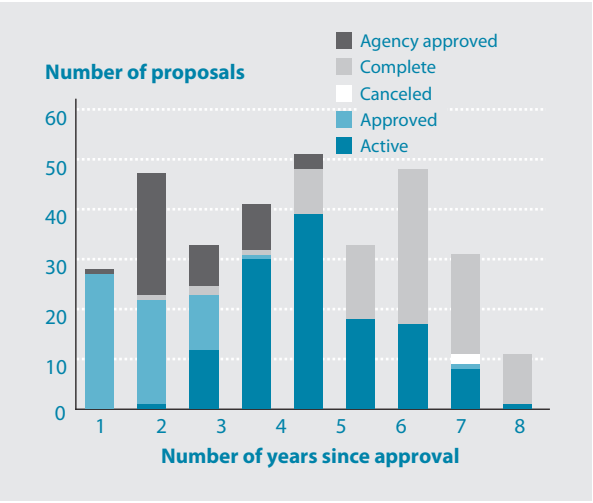
Figure B.1

Time from pipeline entry to project start, by year of approval

Figure B.2

Age distribution of the GEF universe by status: medium-size projects and proposals

a. Status of approved MSPs



b. Status of pre-approval MSPs

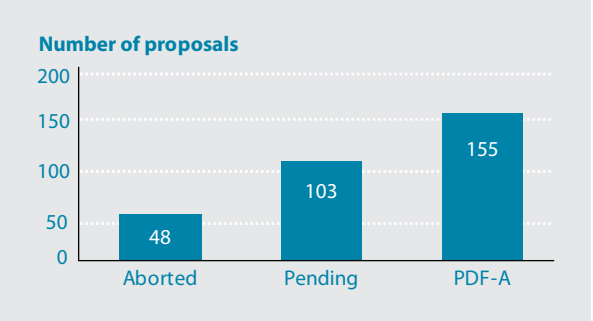
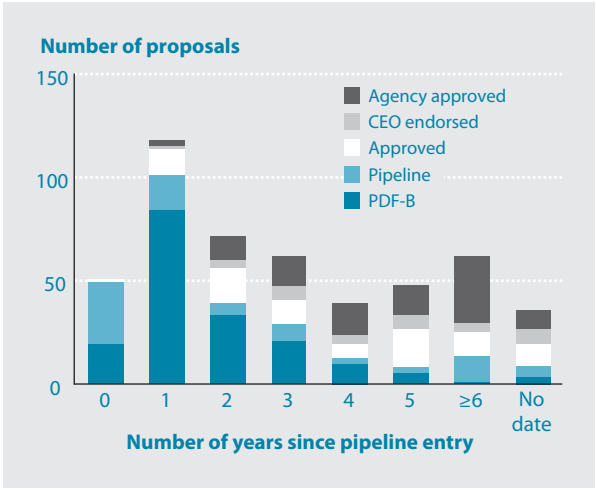


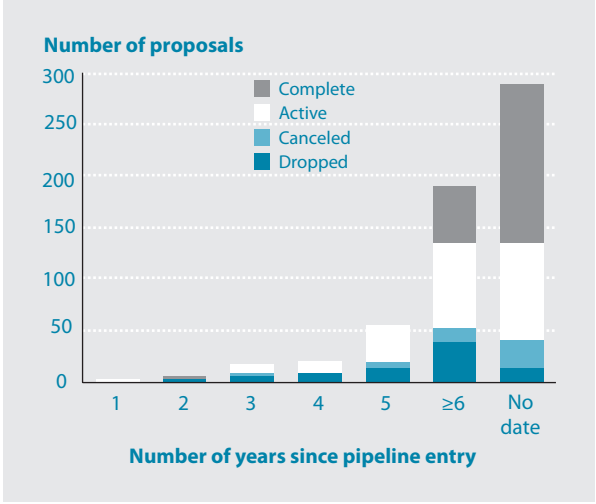
Figure B.3

Age distribution of the GEF universe by status: full-size projects and proposals

a. Proposals in pipeline but not yet started



b. Proposals started or rejected after pipeline entry



c. Proposals that have not entered the pipeline

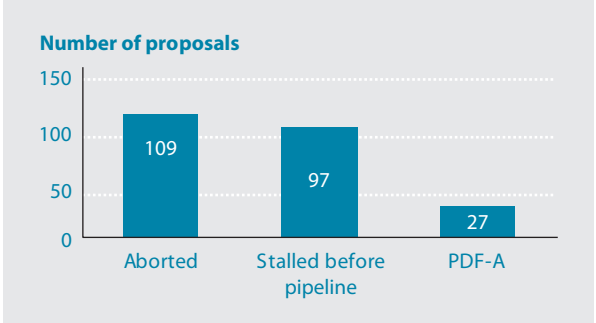
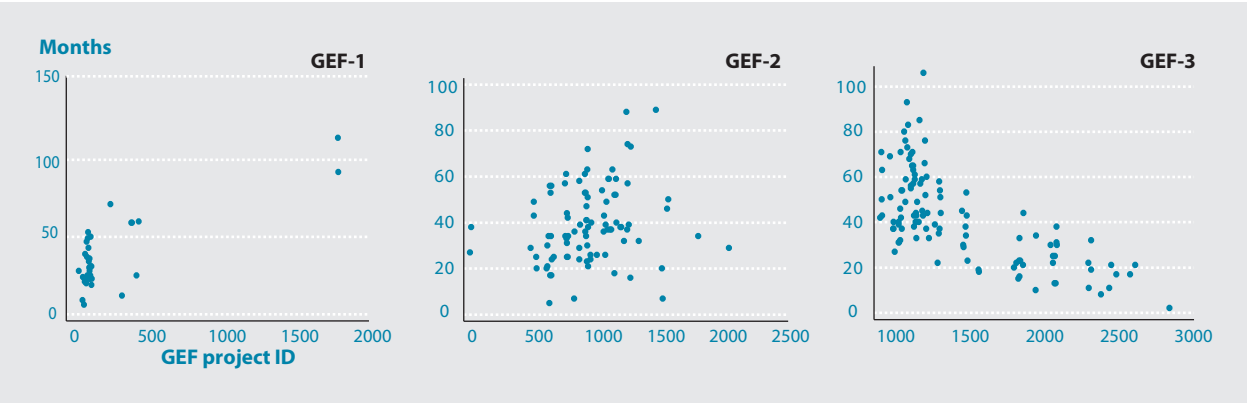


Figure B.4

Total processing time in months across the GEF Activity Cycle with and without outliers, by replenishment period



	Mean			Median			Standard deviation			Number of projects		
	GEF-1	GEF-2	GEF-3	GEF-1	GEF-2	GEF-3	GEF-1	GEF-2	GEF-3	GEF-1	GEF-2	GEF-3
Pipeline to start	37	39	42	37	37	38	22	17	20	36	90	110
Pipeline to start (without outliers)[a]	33	38	41	29	37	40	16	15	19	34	88	108

a. GEF-1 excludes World Bank projects #1829 (114 months) and #1830 (92 months); GEF-2 excludes UNDP project #1490 (89 months) and World Bank project #1253 (88 months); GEF-3 excludes UNEP project #1247 (105.5 months) and UNDP project #1136 (93 months)

Annex C. Management Response

Introduction

This is the management response to the document *Joint Evaluation of the GEF Activity Cycle and Modalities,* an evaluation of the GEF project cycle undertaken by the GEF Evaluation Office jointly with the evaluation offices of the GEF Agencies. The objective of the evaluation was to: (1) identify and analyze the strengths and weaknesses in the GEF Activity Cycle and modalities; (2) identify the constraints that need to be addressed in order to improve the efficiency of GEF procedures, operations, and systems; and (3) make recommendations to contribute to simplifying GEF operations.

The management response has been prepared by the GEF Secretariat in consultation with the Implementing and Executing Agencies. We generally agree with the conclusions and recommendations of the evaluation. It is timely as the GEF is entering a new replenishment period with a set of policy recommendations for implementation. Furthermore, the implementation of the Resource Allocation Framework in the biodiversity and climate change focal areas is introducing new ways of working with recipient countries and Agencies. The evaluation provides input and the basis for improving the GEF project cycle.

Findings and Conclusions

We agree with the overall conclusion emerging from the four major findings of the evaluation that the current GEF project cycle is not effective, not efficient, not cost effective, and has not made full use of trends in its Agencies.

Finding 1: The GEF Activity Cycle is not effective and the situation has grown worse.

We agree with the evaluation's finding that the GEF Activity Cycle is not effective. We concur that the performance level is less than satisfactory, requiring immediate attention.

Finding 2: The GEF Activity Cycle is not efficient and the situation has grown worse.

We agree with the evaluation's finding that the GEF project cycle is not efficient, measured in terms of the elapsed time it takes for a proposal to progress from identification to start of implementation. We concur that it takes an unacceptable amount of time for proposals to be processed through the project cycle.

Finding 3: The GEF Activity Cycle is not cost effective.

We concur with finding that the longer time spent in project preparation does not necessarily result in better projects, as reflected in subsequent performance ratings either during project implementation or after project completion. In this context, we agree with the findings that: (1) duplication with Agency processes have crept in over time cre-

ating, increasing complexity; (2) past streamlining efforts have had a limited impact; and (3) information disclosure and transparency about procedures and processes can be vastly improved.

We concur fully with the evaluation's finding that the increasing use of PDFs has contributed to increased elapsed times without necessarily contributing to project quality. We agree that PDF "ceilings" have become "floors" that could affect the duration of PDF grants, and that there is a need to establish deadlines and completion reporting for implementation of PDFs.

Finding 4: The GEF modalities have not made full use of the trends in its Agencies and partner countries toward new forms of collaboration; fostering ownership; and promoting flexibility, efficiency, and results.

We agree with the finding that there has been a proliferation of new modalities (often without clearly understood procedures) as a response to the inability of the regular project cycle to respond efficiently and flexibly to different needs. Indeed the GEF has not been keeping up with the trends in its partner Agencies in terms of new approaches to developmental financing such as programmatic and sector-wide approaches.

Recommendations

Recommendation 1: No easy fix will improve the Activity Cycle—what is needed is a radical redrawing of the cycle, maintaining the quality and attributes for GEF funding.

We agree with the evaluation's overall finding that since there is no one process, not any GEF partner, or one single cause for the underperformance of the project cycle. It is likewise not a single recommendation or solution that could improve the current cycle.

Recommendation 2: A shift toward RBM will ensure quality during implementation and enable a dramatic reduction of the detailed "blueprint" information currently required in the formulation and appraisal stages.

We agree with the evaluation on the importance of deepening the move toward results-based management in pursuance of the simplification of the project cycle, harmonization of the evaluation function, and introduction of results indicators and portfolio monitoring. The process for establishing a results-based management framework, in parallel with the exercise to review and revise the focal area strategies, has already been initiated by the Secretariat, in collaboration with the Agencies. Other important elements, including application of the Monitoring and Evaluation Policy in the GEF project review criteria and the development of a new management information system, are all in various stages of development and implementation. These efforts together will facilitate the development of a more transparent and streamlined project cycle to undertake the reform policies and strategic objectives of GEF-4.

Recommendation 3: The identification phase should simply establish project eligibility, whether resources are in principle available, and whether the concept is endorsed by recipient countries.

The recent introduction of a project identification form by the GEF Secretariat aims to focus project eligibility upstream to weed out ineligible project ideas without resorting to unnecessary GEF financing. The GEF Secretariat will continue reviewing the optimal timing and implementation procedures for a PIF and explore how best it fits into the current as well as future streamlined project cycle.

Recommendation 4: The work program as presented to the Council should move toward the strategic level.

We agree with the recommendation that the work program presentation to the Council should be in a strategic context, whereby the Council can review the work program as it applies to GEF strategic directions, country priorities, innovative thrust of the portfolio, and so forth. The GEF Secretariat and the Agencies will take up this challenge in the coming months as we develop option(s) for a revised project cycle.

Recommendation 5: Fully documented project proposals should be endorsed by the CEO on a rolling basis.

Even under the current project cycle, project documents for CEO endorsement are submitted on a rolling basis while the other stages of the project cycle, including pipeline entry and work program inclusion, follow the GEF project processing calendar, partly aimed at overlapping with the biannual Council Meeting. A rethinking of the project cycle will certainly include a review of the possibility of submissions at all stages of the project cycle on a rolling basis. The Secretariat is already implementing an approach where project identification review and project concept review occur on a rolling basis.

Conclusions and Next Steps

We would like to thank the GEF Evaluation Office and the evaluation offices of the GEF Implementing and Executing Agencies for having undertaken this complex and very important evaluation. The conclusions and recommendations of the Joint Evaluation will provide a good basis to move forward toward rethinking the formulation of an improved GEF project cycle.

The various findings of the evaluation all converge into one single overall conclusion: the project cycle is too long and too complex, and this lengthy process has led to a cycle that is ineffective and inefficient, and not cost effective. Over the last 10 years, the project cycle and associated business process have accreted steps that may have seemed relevant individually, but have collectively resulted in an unmanageable system. Given the lack of any discernible improvement with successive streamlining steps over the last several years, we think that no gain would be achieved by tinkering with the current project cycle at the margin. We, therefore, agree with the recommendation of the evaluation, and would like to propose that the current project cycle be scrapped and a completely new project cycle be designed for a GEF of the current decade.

The GEF Secretariat, together with the GEF Agency partners, will meet in the coming months to identify and discuss options for a simplified GEF project cycle, drawing on the conclusions and recommendations from the Joint Evaluation report, and taking into consideration the issues identified with the existing project cycle. Our goal will be to develop a project cycle wherein it does not take more than 22 months for a proposal to progress from identification to start of project implementation. A proposal for a new project cycle will be presented to the Council for review at its June 2007 meeting.

Notes

Chapter 1

1. All dollars cited in this report are current U.S. dollars, unless otherwise noted.

2. Several Agencies have highlighted the particular challenges of the appraisal phase, which can bring copious comments from the GEF Secretariat, other Agencies, convention secretariats, the STAP, and the Council, in addition to internal Agency feedback and country comments.

3. The evaluation scope did not include a full cost-effectiveness analysis comparing relative expenditures versus outcomes associated with two or more courses of action.

Chapter 2

1. In accordance with the concept of triangulation, empirical evidence is gathered through three major sources of information: perception, validation by facts or observation, and documentation.

2. These papers are listed in annex A.

3. AfDB and EBRD cycle submissions refer to Agency-only cycles, as the arrangements for AfDB's direct access to GEF resources were only finalized in 2005, and the EBRD agreement is still being negotiated as of this writing.

Chapter 3

1. Recent work on water management shows that increased attention to safeguards not only increases project preparation time but also costs (WB IEG 2006a).

2. The experience of the Executing Agencies in working with the GEF is covered in a separate evaluation (GEF EO 2007a).

3. Canceled projects are not included when calculating average allocations.

4. Of these larger FSPs, 28 are implemented by the World Bank and 6 by UNDP; 6 of the World Bank's and 5 of UNDP's projects are from GEF-3, and the rest are older. All but one of the UNDP projects in this universe are implemented under the Small Grants Programme; the sixth project is in the LDC and Small Island Developing States Targeted Portfolio Approach for Capacity Development and Mainstreaming of Sustainable Land Management. The majority of the Bank's larger FSPs (19) are in the climate change focal area.

5. Completed projects represent 17 percent of all processed proposals and projects. The 299 completed projects were verified by the Joint Evaluation. The PMIS maintained by the GEF Secretariat reports 118 FSPs and MSPs as closed/complete. Terminal evaluations were available for 156 projects at the start of 2006.

6. The earlier reforms are described in GEF (1998h).

7. The World Bank reforms include new document formats—the project concept document and the project appraisal document—the latter of which replaced the World Bank's staff appraisal report.

8. *Simplification* refers to initiatives undertaken by individual agencies to simplify and streamline processes so as to lower transaction costs and shorten project cycles. *Harmonization* refers to agencies' undertaking activities in a similar manner as oth-

ers, using the same formats or standards, and/or accepting others' work as their own.

9. Partner Agency tools include the World Bank's Integrated Controller's System and Client Connection, UNDP's results-oriented annual report, IFAD's Result and Impact Management System, IDB's project performance monitoring report and Project Alert Identification System, FAO's Field Programme Management Information System, and ADB's Project Performance Management System.

10. *Country systems* refer broadly to a country's legal and institutional framework, consisting of its national, subnational, or sectoral implementing institutions and applicable laws, regulations, rules, and procedures.

Chapter 4

1. Two additional canceled projects are unclassified by project type.

2. This proportion drops to 58 percent, if the 200 projects that are pre-pipeline and the 157 projects that were aborted before pipeline entry are excluded from the universe.

3. The PMIS maintained by the GEF Secretariat reports only 118 FSPs and MSPs as closed. Terminal evaluations are available for 156 projects. The Joint Evaluation verified all projects that have finished. The completion rate is 17 percent of 1,726 proposals that have been processed, excluding pre-pipeline and pending. If the pilot phase is excluded, from which many projects are closed, the completion rate is lower. The GEF Evaluation Office has subsequently received 14 more terminal evaluations (for 7 FSPs and 7 MSPs) for projects that are marked in this evaluation as active; with the inclusion of this information, the completion rate for the portfolio is 16 percent (313 complete of 1,926).

4. The ratio of proposals still being prepared is 26 percent of 1,726.

5. If the 200 projects that are pre-pipeline and the 157 projects dropped before pipeline entry are excluded from the universe, the percentage of projects under approval is 21 percent.

6. These projects with Agency approval but no PIRs are evenly distributed between UNDP and the World Bank (seven and six projects, respectively), and also include three projects from ADB, one from UNEP, and one joint UNDP-World Bank project.

7. The pre-pipeline and pending proposals are envisaged to lead to total GEF allocations of $641 million for 97 FSPs and $62 million for 103 MSPs. The majority (108) of these proposals are from UNDP (54 percent), followed by UNEP (20 percent) and the World Bank (16 percent). One World Bank proposal, Small and Medium Scale Enterprise Program (Second Replenishment), does not have a status recorded in the PMIS. The ExA projects comprise 14 FSPs and 4 MSPs, 6 from UNIDO, 4 from ADB, and 3 from IFAD.

8. The dropout rate is consistent with prior estimates, as illustrated by the advice of the GEF Secretariat to countries to "overprogram" resources by 15 percent under the RAF. The overall dropout rate is 17 percent if these discontinued proposals and projects are considered as a proportion of the processed portfolio of 1,726.

9. The 157 aborted proposals are recorded variously in the PMIS as deferred (13 percent of the 157), dropped MSPs (15 percent), not recommended (45 percent), rejected (8 percent), and withdrawn (20 percent).

10. The first report on cancellations was annex F of the November 2004 work program cover note (GEF 2004k), covering cancellations from January 1993 to November 2004; these comprised 24 canceled projects with allocations of $170 million.

11. The average is higher for Council-approved and CEO-endorsed projects—$9.1 million and $10.4 million, respectively. Agency-approved projects have a lower average, due to several older projects in that group having not yet started.

12. For FY 2005, cancellations represented 2.5 percent of the Bank-wide total, or about $2.5 billion; this is significantly less than the $3.7 billion average for the period FY 2000–04.

13. Given that records of pipeline entry dates have improved, and there are 36 proposals that do not have recorded pipeline entry dates, it may be pre-

sumed that these are old projects. It may also be possible that some projects have either started since the January 2006 Joint Evaluation database was compiled, have closed, or—in spite of status verification by the Agencies—may have started but not submitted annual PIRs.

14. The GEF-3 percentages will improve slightly over time, but will not reach the level of GEF-2.

Chapter 5

1. The PDF modality was instituted only in GEF-1; therefore, the pilot phase of the GEF is not reflected here. Elapsed time is measured for actual projects that have gone through the cycle and its various phases. Average time across phases is affected by the number and nature of projects that have gone through the various phases. Elapsed time thus cannot be accurately calculated simply by adding the various time slices.

2. Adherence to this perception varied by stakeholder group, with the STAP most likely to believe this (60 percent), followed by national government (27 percent), IAs and NGOs (24 percent each), and GEF and focal points (23 percent each).

3. Only projects funded by the European Union (EU) were cited as having equal or more administrative requirements. Nevertheless, the EU is still seen as being easier to deal with, since a single agency is responsible for project management; the EU is also undertaking a major simplification program.

4. In April 2005, a study commissioned by the GEF Evaluation Office reviewed factors affecting the time required to prepare, process, and begin implementation of GEF projects in 2004 (Arensberg 2005). For FSPs, the three IAs took over 38 months on average from pipeline entry to start; UNDP had the longest elapsed time at 41 months, while the World Bank and UNEP were slightly faster, at 37.6 and 36 months, respectively. Overall, the study found that it took 3.2 years (38.4 months) for an IA to develop an FSP.

5. See Technical Paper 3, "Assessment of Project Cycles." The Agencies provided varying detail on their steps, and some (such as EBRD, FAO, and UNIDO) reported an abbreviation of their respective cycles.

6. However, few Agencies document the steps after the GEF Secretariat decision, such as notification of the GEF decision, signing of the letter of agreement, and so on. Most Agencies submitted their regular cycle procedures for non-GEF projects, while others submitted additional detail on GEF-related steps.

7. EBRD develops a very brief paper to identify if the project is "Bankable"; the World Bank develops a project concept note.

8. Regarding drafting, review, and finalization of the FSP proposal for GEF work program inclusion, ADB usually absorbs the cost of the preparatory work through its project preparatory technical assistance, so it is possible that bypassing the PDF route at the GEF may have translated to shorter elapsed time for preparation.

9. The same order of focal area elapsed time was found in the study commissioned by the GEF Evaluation Office reviewing factors affecting the time required to prepare, process, and begin implementation of GEF projects (Arensberg 2005). However, the Joint Evaluation time data for all projects are higher than those reported in the 2005 study (which showed climate change projects with the shortest elapsed time at 36 months on average, international waters at 39.6 months, and biodiversity the longest at 42 months).

10. Of global FSPs, 10 are in the Small Grants Programme. Regional projects may take substantially longer than the average FSP, but these disaggregated data are not sufficient to allow conclusions to be drawn.

11. UN agencies generally have shorter cycles than this, as some pre-investment steps are not required.

12. The experience of the ExAs in working with the GEF is covered by GEF EO (2007a).

Chapter 6

1. An assessment of the quality of monitoring and evaluation arrangements at entry for FY 2005 was conducted by the GEF Evaluation Office for the 2005 Annual Performance Review; this was limited to the M&E operational principle only and based on the standards in the M&E Policy.

2. Respondents from IAs were more likely to rate GEF projects as more well prepared (61 percent) than were respondents from ExAs (50 percent), GEF members (44 percent), and NGOs (42 percent).

3. The 2005 APR concluded that most of the completed GEF projects assessed in FY 2005 have acceptable performance in terms of outcomes and sustainability, with 88 percent of the 41 GEF projects rated moderately satisfactory or above in their outcomes. These findings may be biased, however, given the small sample and the fact that several terminal evaluations had not been received (GEF EO 2006b).

4. IAs, 27 percent; ExAs, 25 percent; national governments, 24 percent; and NGOs, 20 percent.

5. A total of 40 percent of survey respondents believe GEF projects are more likely to have significant impacts than projects undertaken by other international agencies; 11 percent believe they are less likely to have significant impact. The proportion of respondents who think GEF projects have a better chance of having a significant impact is higher among IAs and ExAs (41 and 42 percent, respectively). It is lower among national government and GEF members (33 percent of each), and lowest among NGOs (28 percent). The view that GEF projects have less chance of having a significant impact is shared by twice as many GEF members as all respondents on average (22 versus 11 percent).

6. FSP allocations were $8.6 million in GEF-1 and about $8 million in GEF-2 and GEF-3.

7. Some 28 percent believe GEF projects take the same amount of resources to prepare; only 6 percent judge them to be less resource-intensive.

8. GEF EO (2007b) provides more detail on this point.

9. Defined to Council in 2005. *Cost effectiveness* was not defined per se, but *cost-effectiveness analysis* was, as an approach to identify the cheapest way among competing alternatives to achieve a stated objective. Broadly speaking, there are two ways of undertaking a cost-effectiveness analysis or assessment: quantitative approach or qualitative approach.

10. Ratios exclude canceled projects.

Chapter 7

1. In this context, the GEF is not seen as a provider of *aid*, which is traditionally directed at countries' poverty-focused priorities, but instead a provider of *assistance*, in that the GEF pays the incremental cost for a country to undertake measures to protect the global environment, which would not otherwise be among the national priorities.

2. In all, 333 survey respondents identified their experience with the GEF modalities. About 60 percent of respondents answered the 13 questions on GEF modalities. Approximately half had experience with enabling activities (164), while 42 percent had worked with the Small Grants Programme (140) and 41 percent with national capacity self-assessments (136), and 10 percent (34) with other GEF modalities.

3. UNDP first established a pre-investment facility; the World Bank established its own facility, project preparation advances, in April 1992.

4. Of FSPs, 54 percent have or have had a PDF component (700 of 1,292 projects and proposals); the proportion is the same for MSPs, with 344 of 632.

5. In GEF-3, 85 MSPs on average accessed PDF-A resources close to the maximum ceiling ($24,968); the 38 FSPs with PDF-As averaged PDF-A resources worth $25,483 (this average was pushed beyond the ceiling due to one climate change project).

6. The World Bank's Regional Environment and Information Management Project in Africa, with a total GEF allocation of $4.5 million (total project cost: $20.3 million).

7. This is true both for use of PDF-B funding only and in combination with other PDFs: climate change PDF-B use is at 47 percent for 238 FSPs, compared to 60 percent for non-climate change FSPs (findings are statistically significant).

8. In GEF-3, 74 percent of the 23 global FSPs had no PDF component.

9. The top two cofinanced FSPs are the World Bank's project in Rural Energy II (Vietnam) and its Second Beijing Environment Project, with cofinance ratios of 61.7 and 49.2, respectively. The third FSP (cofinance ratio of 43) is the Bank's Guangdong–Pearl River Delta Urban Environment project;

while it did not access PDF resources, the project's groundwork may, as noted in the project's 2004 executive summary for GEF Council work program submission, have been laid by the "strategic analyses of the major threats to the South China Sea, facilitated by the GEF/UNDP/IMO [International Maritime Organization] Partnerships in Environmental Management for the Seas of East Asia and the GEF/UNEP Project on Reversing Environmental Degradation Trends in the South China Sea and Gulf of Thailand.:

10. Both UNDP and the World Bank have similar proportions of their GEF portfolio in projects with no PDF component—43 percent and 40 percent, respectively; these proportions were 18 and 16 percent, respectively, in GEF-3.

11. The two PDFs with this maximum elapsed time are UNEP's global climate change PDF-A and UNDP's biodiversity PDF-A in Tanzania.

12. According to the GEF Trustee, a total of $15.7 million has been transferred for PDF-As to the Agencies across the GEF-2 and GEF-3 periods, with 44 percent going to the World Bank, 32 percent to UNEP, and 22 percent to UNDP.

13. For example, UNEP's regional international water proposal, Protection of the Canary Current Large Marine Ecosystem, entered the pipeline in February 1998 and was approved for PDF-B funding in August 2003.

14. If the development objective ratings are considered for projects with and without PDFs, the difference is statically significant, with 64 FSPs with no PDFs averaging a rating of 4.93, and 179 projects with some kind of PDF averaging 4.72 (on a 6-point scale). As has been observed in the PPRs, progress ratings from 64 FSP self-rated PIRs are generally higher than the ratings for 28 closed FSP TERs. This difference may be an indicator that the older projects with PDF-Bs that closed had better TER ratings; this will change once data become available on more projects with PDF-Bs.

15. Average score of 4.92 of PIRs with no PDFs compared to 4.76 for projects with a PDF-B only; and average score of 3.96 for no PDFs on TERs, compared to 4.4 for projects with only a PDF-B, based on APR and PIR rating systems.

16. In terms of statistical difference, FSPs without PDFs seem more expensive in GEF-3. The differences for region and focal area are accentuated in GEF-3, and total GEF allocations are statistically significant only in GEF-3. These focal area and regional findings are also statistically significant: the multifocal area has more FSPs without PDFs (53 percent of all multifocal FSPs); there are fewer projects without PDFs in Africa (31 percent in Africa, compared to 45 percent no-PDFs in other regions), and more global projects have no PDFs (67 percent).

17. In addition to the Joint Evaluation components, this section draws on numerous reviews of the MSP modality: the GEF MSP evaluation (GEF EO 2001), the World Bank stocktaking of MSPs (World Bank 2005k), and deliberations of the MSP Working Group (GEF 2004a).

18. The evaluation of MSPs undertaken in 2001 (during GEF-2) showed that NGOs as a whole accounted for the largest share of MSP executing agencies, with 41 percent of the total.

19. Corresponds to 250 respondents; among NGOs (40 respondents), this proportion was higher: 85 percent.

20. In 2002, the average cofinancing ratio jumped to $4.36 for MSPs because of a single World Bank-IFC project, Energy Efficiency Co-Financing Program 2, in Hungary, which has the maximum intended cofinance ratio in GEF history: 133.

21. Examples of leverage include the World Bank-EBRD project Demand-side Energy Efficiency in Public Buildings, Lodz Municipal Energy Services Company, in Poland, with a cofinance ratio of 23; and the regional IDB project, CleanTech Fund, with a cofinance ratio of 61. By region, Europe and Central Asia has a significantly higher than average cofinance ratio of 5.25, reflecting private sector involvement with MSPs.

22. Based on examination of 70 terminal evaluations for closed projects reviewed since 2001 with relevant cofinancing data.

23. Although recorded as complete for an average of about three years, 44 MSPs do not have terminal evaluations; 32 of these are World Bank projects. Of completed MSPs, 73 (84 percent) are from

GEF-2; 39 of these have TERs available. Of the 130 ongoing projects, 86 (66 percent) are from GEF-2, and 115 have PIRs available from 2005.

24. Sustainability ratings are available for 20 closed MSPs from their TERs. Of these, 11 are UNDP projects, and 10 are biodiversity projects. The average rating across these 20 ranges between moderately satisfactory and moderately unsatisfactory, with one-third rated as moderately satisfactory.

25. This was for the World Bank's project in Brazil, Formoso River—Integrated Watershed Management and Protection. The PDF-A was approved in August 1999, CEO approval took two years, and IA approval took another three years, so that the project became effective in 2005. The total project cost was $2.17 million, with cofinancing of $1.17 million.

26. The largest MSP allocation by the GEF has been to UNDP for its project, Capacity Building for the Implementation of the Cartagena Protocol on Biosafety, in Mexico. The allocation was for $1.46 million in FY 2002, exceeding the $1 million ceiling.

27. For example, the 20 countries that have larger numbers of MSPs than FSPs include the Slovak Republic, Mongolia, Democratic People's Republic of Korea, Seychelles, Fiji, and Estonia.

28. The analysis focuses on projects and proposals that are not regional or global; several projects may spread across different countries, although not be classified as either regional or global. The majority of projects and proposals—45 percent of FSPs and 37 percent of MSPs—are in low middle-income countries. Thirty-four MSPs are located in SIDS; of these, 15 are still at the concept stage. For FSPs, 42 are in SIDS, and 15 are at the concept stage. In GEF-3, eight MSPs and seven FSPs are in SIDS. Both modalities are equally represented in least developed countries, with 11 percent of both MSPs (78) and FSPs (144); in GEF-3, 12 MSPs and 35 FSPs are located in LDCs.

29. In addition, there is one global FSP jointly implemented by UNDP and UNEP to coordinate and support the NCSAs—the Support Programme for National Capacity Self-Assessments—with an allocation of $1.9 million.

30. Except for those parties that had this initial disbursement for the previous national communication more than five years ago, which should apply before 2006; for financing of second and third national communications, where appropriate.

31. COP decision 4/CP.9.

32. For 15 FSP STRMs. The maximum time reached about 70 months, for UNDP's FSP in Russia, Removing Barriers to Coal Mine Methane Recovery and Utilization. This project has a total GEF allocation of $3.3 million, including a PDF-B. It took 60 months for this project to receive work program approval after pipeline entry.

33. Two additional FSPs with STRMs are complete, but these do not have approval dates: Yemen: Liquid Petroleum Gas Substitution Programme and Venezuela: Reduction of Methane Leaks in the Maracaibo Natural Gas Distribution Network. Both of these are UNDP projects.

34. There are also two global support projects using the MSP modality for GEF-3 projects implemented by UNDP; these have been allocated a total of $845,000.

35. Data are for 33 NCSAs and 279 other enabling activities. There were too few NAPAs (two) for statistical significance.

36. Four remaining LDCs eligible for NAPA preparation support have not yet received funding.

37. The approved MSP is Tanzania: Mainstreaming Climate Change in Integrated Water Resources Management in Pangani River Basin, a UNDP project. The approved pipeline concepts include Ecuador: Adaptation to Climate Change through Effective Water Governance (UNDP); Global: Piloting Climate Change Adaptation to Protect Human Health (UNDP); Regional: Design and Implementation of Pilot Climate Change Adaptation Measures in the Andean Region (World Bank); India: Climate-Resilience Development and Adaptation (UNDP); and Regional: Pacific Islands Adaptation to Climate Change Project (UNDP). The MSP at the PDF-A stage is Adaptation to Climate Change in the Tourism Sector in Fiji Islands and the Maldives; Adaptation and Health in the Solomon Islands (UNEP) (GEF 2006g).

38. In May 2002, the GEF Council approved the administrative arrangements for the establishment of the LDCF under the UNFCCC. At COP 9 in December 2003, the parties agreed upon guidance for the operation of the SCCF (Decision 5/CP.9). GEF (2006d) presents a programming framework for guiding operations under the LDCF, especially for implementation of the NAPAs.

39. At the April 2006 meeting of LDCF donors in Copenhagen, the GEF Secretariat was requested to explore whether and how the GEF could make arrangements to provide for decision-making procedures, in particular a voting mechanism.

40. There is also one World Bank enabling activity in Argentina that uses targeted research; it has a GEF allocation of $1.14 million.

Chapter 8

1. In August 2006, the GEF Council requested that the GEF Secretariat prepare for its consideration at the December 2006 Council meeting a policy paper clarifying the procedures to be followed for the approval of subprojects developed under larger programs and umbrella projects approved by the Council (GEF Council 2006b).

2. This working definition is drawn from the GEF (2001e).

3. In its program manual, UNDP has defined the "programme approach" as a logical approach with participatory program frameworks that integrates the planning processes and strategic management of any development effort within national priorities. The World Bank has implemented programmatic policy lending as an adaptable, integrated medium-term framework of reforms, with notional amounts and dates linked to a country's policy and budget cycle.

4. According to a 2001 GEF Secretariat document, the GEF portfolio of projects supposedly using a programmatic approach was comprised of over 35 projects approved by the Council, covering all GEF focal areas. Ten other projects were being discussed by the GEF Secretariat and the Agencies at that time. Subsequently, an internal 2003 GEF Secretariat review identified the GEF projects that have applied a programmatic approach in various ways (summarized in box 8.4).

5. The report specified that the framework should present milestones, benchmarks, and performance indicators against which the projects could be evaluated, as well as a learning and adaptive management system, financing plan for the entire program, and sequencing of GEF disbursements.

6. The predecessor to the initiative was the GEF Country Dialogue Workshops project. Approved in 1998, this project provided financing for up to 50 country dialogue workshops to build country coordination and capacity and promote awareness building.

Annex A

1. In accordance with the concept of triangulation, empirical evidence is gathered through three major sources of information: perception, validation by facts or observation, and documentation.

2. PMIS Nos. 683 to 761 are not populated; they do not have any projects attached to them.

3. This latter information gap was recognized by the TOR, which clarified that the evaluation would not be able to undertake an analysis of actual costs of managing the cycle.

Glossary

Aborted proposal. Project proposal that was rejected before entry into the GEF pipeline. Referred to in the GEF Project Management Information System as rejected, withdrawn, not recommended, deferred.

Active project. Ongoing project; has record of a project implementation review in 2005 or earlier.

Activity Cycle. Generically, the set of phases a proposal goes through to become a project and a project goes through to be completed. In the GEF context, *Activity Cycle* denotes that the GEF provides support in different forms, all which follow a specific process; the cycle includes the phases of an Agency project cycle plus the GEF decision points. See also *phase* and *project cycle*.

Adaptive management. "Accommodating changes in project design and implementation to changes in context (implementation environment), with the overall objective of meeting project goals and objectives" (GEF Council 2004). Related to operational principle 5 on flexibility.

Agency approval. A cycle step and GEF decision point. Approval of project by relevant authority in Agencies (board, director, committee, resident representative, and so on).

Appraisal. A cycle phase; the reviews by various GEF partners, such as the country (GEF focal point endorsement), GEF Secretariat, GEF Council, Scientific and Technical Advisory Panel, other Agencies, and convention secretariats. This phase is not necessarily chronological in the cycle, but a cycle function aimed to ensure quality at entry through a systematic review of a project's conformity with GEF requirements.

Approval and start-up. A cycle phase; includes work program entry (Council approval) for FSPs, GEF CEO endorsement of FSPs and CEO approval for MSPs, Agency approval, and project start. The purpose of approval is to establish a legal basis for the project and disbursement, as well as accountability, for a timely start and effective implementation of the project. While some Agencies treat project start as part of implementation, the evaluation disaggregates project approval and start-up as a distinct phase to assess elapsed time and steps involved. Projects under approval include those with a status of Council approved, CEO endorsed, and Agency approved.

Approval rate. The ratio of approved projects compared to all projects and proposals for a specific period or universe of projects.

Approved project. (1) FSPs that have entered the work program; (2) MSPs that have received CEO approval (unless nonexpedited, in which case MSPs go through the FSP cycle). A proposal becomes a project once it is approved.

Canceled project. Project terminated after approval, normally during implementation.

CEO endorsement. A cycle step in approval and a GEF decision point for FSPs. For MSPs, this is called CEO approval.

Closed project. Project with a terminal evaluation report or review or one that is reported as closed by Agency. Includes both operational and financially closed projects. Also called *complete*.

Completion. A cycle phase. For the project completion and evaluation stage, activities include the development of the evaluation report and the project completion report. Also called *closing*.

Completion rate. The ratio of completed projects compared to all projects and proposals for a specific period or universe of projects.

Concept. A cycle phase; defined by the GEF Council as the identification and development of project ideas, as well as prescreening. Concept development involves

project identification; preparation of the project concept, for which a PDF-A may be used; concept review by the GEF; and pipeline entry.

Concept review. A cycle step and GEF decision point, to provide upstream comments and general agreement on the concept put forward by a proposal before the Agency has expended major resources or made significant country commitments.

Cost effectiveness. Comparison of efficiency and effectiveness. Economic term for conditions that create the largest possible gain with the smallest possible costs. For the evaluation, refers to whether the cycle ensures sufficient value for the products that it delivers, and value added (gain) at each step of the process (cycle phase) or for each modality.

Dropped. Project proposal that entered the GEF pipeline but was afterwards discontinued.

Duration. Project duration; expected lifetime of project implementation from start to completion. Includes intended and actual duration.

Effectiveness. (1) The extent to which an objective has been achieved or how likely it is to be achieved; in the context of the evaluation, the extent to which the Activity Cycle yields approved projects (productivity). (2) The extent to which a process does what it is intended to do; in the context of the evaluation, the impact of a project or how well it achieved its objectives. The World Bank and regional development banks also use the term effectiveness to refer to the phase in which a project becomes "effective" or is launched (referred to as *project start* in this report).

Efficiency. The extent to which results have been delivered with the least costly resources possible; also called *cost effectiveness* or *efficacy*. In the context of the evaluation, efficiency means assessing time and effort, that is, the relationship between the level of performance and the amount of resources used, under stated conditions. As such, an efficient cycle uses the least time, effort, and cost (ratio of output to input) for its results.

Elapsed time. The time-calendar spent by a proposal or a project in months between a point A and a point B in the Activity Cycle.

Enabling activities. Projects with financing for the preparation of a plan or strategy to fulfill commitments under a global environmental convention and preparation of a national communication report to a relevant convention. Approved by the GEF CEO under expedited procedures.

Executing Agencies under Expanded Opportunities. Regional development banks (Asian Development Bank, African Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank) and United Nations agencies (Food and Agriculture Organization, International Fund for Agricultural Development, and United Nations Industrial Development Organization) with direct or indirect access to GEF resources. Differs from *project executing agency*, which is the entity undertaking project implementation.

Firm decision. Decision that a proposal or project is either approved or cleared, or dropped or canceled.

Full-size project. Project that must satisfy the requirements of a GEF strategic priority and either an operational program or a short-term response measure; go through each step of the GEF Activity Cycle, subject to all project review criteria; and be approved by the GEF Council either during Council meetings or intersessionally.

Identification. A cycle phase, originally defined as the identification and development of project ideas, as well as prescreening. Today, identification also incorporates pipeline entry and application for PDF-A or PDF-B and submission of a project identification form.

Implementation. A cycle phase. Includes the actual implementation, supervision, and monitoring of a project. Projects under implementation are also called *active projects*.

Implementing Agency. The three international Agencies in charge of designing and implementing GEF projects—United Nations Development Programme, United Nations Environment Programme, and the World Bank.

Medium-size project. Introduced in 1996, MSPs are limited to a maximum of $1 million in GEF funds and should be processed in an expedited manner. Approval of MSPs has been delegated by the GEF Council to the GEF CEO. Like the FSPs, MSPs are subject to project review criteria; they should also satisfy the requirements of a strategic priority and either an operational program or a short-term response measure. MSPs are submitted to the GEF Secretariat on a rolling basis throughout the year and go through a one-step approval by the CEO of the final project brief.

Modality. A specific mechanism of client interaction with products or services. The three main GEF modalities—each of which has different cycles—are FSPs, MSPs, and enabling activities, with associated PDFs. Other aid modalities, so far not used by the GEF, include budget support, sector-wide approaches, and sector program support.

Norms. Goals, expectations, or procedures assigned to the Activity Cycle and modalities, based on international professional standards and the 10 GEF operational principles. Also called *norms and criteria* or *international standards*.

Operational principles. Norms based on international professional standards that represent value added to the Activity Cycle/modality level through goals, expectations, or procedures. The 10 GEF operational principles are (1) relevance to conventions, (2) incremental costs, (3) cost effectiveness, (4) country ownership, (5) flexibility, (6) full disclosure, (7) public involvement, (8) country eligibility, (9) catalytic role and financial leverage, and (10) monitoring and evaluation.

Outlier. Projects with unusually high or low processing times; that is, with data points that lie far away from the average (for the evaluation, this was identified as 40.5 months from pipeline to start).

Project development facility. Financial support provided by the GEF for project preparation, approved by the GEF CEO. Includes PDF-A up to $25,000, PDF-B up to $350,000 for projects in single countries, and PDF-C up to $1 million to complete technical design and feasibility work.

Pending and pre-pipeline proposal. Proposal that has been submitted to the GEF Secretariat and recorded in the Project Management Information System, but that has not entered the GEF pipeline.

Performance. For the evaluation, performance indicator ratings on the achievement of project development objectives and implementation progress. A proxy for quality and success.

Phase steps. Each Activity Cycle phase is made up of different steps, which are specific activities that occur in a given phase. As an example, the identification and concept development phase has several steps, such as project identification, concept drafting, submission for GEF pipeline entry, and response to GEF Secretariat reviews.

Phases. A set of steps and decision-making points involving different stakeholders. A proposal has to go through each Activity Cycle phase to become an effective project. The GEF Activity Cycle phases are identification and concept development, preparation, appraisal, approval and start-up, implementation and supervision, and completion and evaluation.

Pipeline entry. A cycle step and GEF decision point for FSPs, after concept review by the GEF Secretariat. Reporting pipeline entry to the GEF Council began in 1999. For projects from earlier GEF periods, the evaluation used pipeline entry dates when available from the Agencies (mainly from the World Bank) or the Project Management Information System.

Pre-concept. A cycle phase; not recorded in the GEF. Involves identification of project and preparation of concept paper.

Project. Development intervention to attain specific designated objectives, in a determined time span and following an established plan of action. Includes GEF FSPs after work program entry and MSPs after CEO approval. See also *proposal*.

Project cycle. Both in development aid and business use, the project cycle is a process with relatively standardized phases—normally identification, formulation, appraisal and approval, implementation, and evaluation.

Project preparation. A cycle phase. An Agency supports the project proponent(s) in the detailed preparation of the project in the GEF pipeline, often supported by PDF resources. Project preparation entails two main steps: (1) formulation of a project document and (2) preparatory activities. Also called *project formulation*, *project development*, and *project design*. Projects under preparation include proposals with status of PDF-A, PDF-B, pipeline entry, pre-pipeline, and pending.

Proposal. Project proposal. An application for GEF funding with a specific objective. A proposal for an FSP receives the status of project after work program inclusion, and after CEO approval for an MSP. Includes proposals with status of pre-pipeline, pending, PDF-A, PDF-B, and pipeline entry.

Quality. Project quality or project document quality. Involves many parameters not measured by the GEF, including producing results, good management, well-designed documents, and compliance with requirements (such as the GEF operational principles). For the evaluation, performance indicator ratings were used as a proxy for quality.

Relevance. The extent to which the activity is suited to local and national development priorities and organizational policies, including changes over time. For the evaluation, a measure of how closely results match a need and/or request. Only applicable to modalities; the cycle as the only way to develop projects is intuitively relevant.

Replenishment period. A four-year period covering the term of a GEF replenishment agreement, with specific goals, strategies, and targets. The GEF pilot phase (1991–94) is considered the first replenishment period. Also called *GEF phase* (not the same as cycle phase).

Start. Project start-up. A cycle phase. Also called *project effectiveness* by the World Bank and the regional development banks.

Statistical significance. A conclusion that an intervention has a true effect, based upon observed differences in outcomes between treatment and control groups that are sufficiently large that these differences are unlikely to have occurred because of chance, as determined by a statistical test.

Unapproved project. Referred to as a proposal and defined as either (1) being at pre-approval stages (such as PDF-A, PDF-B, pipeline, or pending) or (2) having been rejected before approval (dropped or aborted).

Work program entry. A cycle step and GEF decision point. Also called *work program inclusion*. Signals project approval.

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